



St Albans
City & District Council

Statement of Accounts 2014/2015

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Explanatory Foreword to the Statement of Accounts

1. Introduction

We present the Statement of Accounts for St Albans City and District Council for 2014/2015.

The purpose of the Statement of Accounts is to provide information on how the Council has utilised available financial resources during the year and its financial position at the end of the year. The accounts for the year ended 31 March 2015 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/2015 (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Service Reporting Code of Practice for Local Authorities 2014/2015, supported by International Financial Reporting Standards. In England and Wales, The Code constitutes a “proper accounting practice” under the terms of Section 21(2) of the Local Government Act 2003.

The accounts follow this Explanatory Foreword, which has been written to provide a better understanding of the significant matters reported in the accounts.

The Council’s Statement of Accounts consists of:

Core Financial Statements

- **Movement in Reserves Statement (MiRS)** – this statement shows the movement in the year on the different reserves held by the Council analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other (unusable) reserves.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – a summary of the resources generated and consumed by the Council in the year in accordance with generally accepted accounting practices.
- **Balance Sheet (BS)** – shows the Council’s balances, reserves and long term indebtedness at the financial year end, and the non-current and net current assets employed in its operations.
- **Cash Flow Statement (CFS)** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Supplementary Statements

- **The Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the HRA Balance** – reflects a statutory obligation to maintain a revenue account for the provision of the local authority housing service in accordance with Part 6 of the Local Government and Housing Act 1989. The first part of the statement shows expenditure on Council housing and how this is met by rents, interest and other income. The second part reconciles the surplus or deficit on the HRA I&E Account to the movement on the Housing Revenue Account Balance for the year.
- **Collection Fund Income and Expenditure Account** – reflects the statutory requirement for the Council as a billing authority to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to the major precepting bodies, namely the Department for Communities and Local Government, Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire.

Explanatory Foreword to the Statement of Accounts

1. continued

Other Statements

- **Statement of Responsibilities for the Statement of Accounts** – this outlines the responsibilities of the Council and the Deputy Chief Executive (Finance) with respect to the Statement of Accounts.
- **The Auditor’s Statement** – this is the independent Auditor’s report to members of the Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the use of resources.
- **The Annual Governance Statement** – this gives a public assurance that the Council has proper arrangements in place to manage all its affairs. It summarises the Council’s responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those controls.

These accounts are supported by Accounting Policies (Note 1 to the Core Financial Statements) on which the Council has based the Statements, and by various further notes to the Core Financial Statements, providing additional information in support of the main Financial Statements.

Explanatory Foreword to the Statement of Accounts

2. Outturn compared to budget

2.1 General Fund results compared to budget

The General Fund is the primary fund of the Council accounting for all income and expenditure for the provision of services other than amounts that go through the supplementary statements (the HRA and Collection Fund Income and Expenditure Account as defined above). The following table compares the approved budget to actual income and expenditure in the format suggested by the accounting code.

Comparison of Actual to Budget 2014/15	Budget £'000	Actual £'000	Variance £'000
Net Cost of Services	20,481	20,525	44
Interest (Receipts)/Payments	(8)	(45)	(37)
Capital Charge Adjustments	(2,453)	(3,386)	(933)
Other General Government Grants	(2,515)	(2,607)	(92)
Pension Adjustments	-	593	593
Revenue Contributions to Capital	531	780	249
Contributions to/(from) Earmarked Reserves	(347)	14	361
Net Council Budget	15,689	15,874	185
Parish Precepts	2,288	2,288	-
Net Council Budget including precepts	17,977	18,162	185
Revenue Support Grant	(2,642)	(2,642)	-
Retained Business Rates	(2,249)	(2,084)	165
Council Tax	(12,239)	(12,239)	-
Collection Fund Deficit/(Surplus)	74	(2,293)	(2,367)
Total Income	(17,056)	(19,258)	(2,202)
(Surplus)/Deficit for the year	921	(1,096)	(2,017)
Working Balance Brought Forward	(3,843)	(3,843)	
Transfer to Earmarked Reserves from Balances	1,422	3,250	
Working Balance Carried Forward	(1,500)	(1,689)	

Explanatory Foreword to the Statement of Accounts

2.1 continued

The Council plans for a balanced General Fund budget for income and expenditure of an ongoing nature i.e. it expects expenditure to be fully met by income. However, the Council also has to take account in its plans of items of a 'one off' nature that need to be funded from accumulated surpluses. These items account for the budgeted deficit for the year of £921k and is made up of the following items:

- A revenue contribution to capital of £450k towards the funding of the Cotlandswick Leisure Centre. This is included in the amount of £531k for Revenue Contributions to Capital in the table above.
- An amount of £200k was set aside for a Land Charges claim (discussed in more detail below). This is included in the Net Cost of Services figure of £20,481.
- An amount of £271k (including approved unspent budgets carried forward from 2013/14) was set aside for other 'one off' costs. This is included in the Net Cost of Services figure of £20,481k.

Regular monthly budget monitoring reports are presented to management of their controllable costs, included in Net Cost of Services, and these show the following budget variances:

- Leisure Services: £162k additional income was generated from the contracts with Leisure Services providers.
- Recycling: Income was £178k lower than expected due to a reduction in the prices for recycled materials and a slightly lower than expected tonnage of some material types.
- Markets: While the charter market activity is profitable, the market income was £151k lower than budget and work is ongoing to resolve this. The expenditure budget was overspent by £211k due to additional one-off costs during the implementation stage of the market review and an adverse variance in the second year of the Christmas Market.
- Land Charges Settlement: A provision of £250k has been made for the final negotiated settlement plus estimated costs relating to a claim made by personal search companies against local authorities caused by a change in Government advice on charging. This is £50k more than the amount set aside in the budget.
- Parking: Additional resource investment to the Parking Service was required to reduce the back-log of parking requests resulting in an overspend of £162k.
- Planning: An overspend of £245k was incurred. The number of planning applications remains very high compared to other District Councils. The nationally set planning fee does not cover the cost of dealing with the applications and the Council funded additional resources to reduce the back-log of planning applications.

Explanatory Foreword to the Statement of Accounts

2.1 continued

Other variances over £100k below the Net Cost of Services Line:

- The Capital Charges and Pension Adjustments variances totalling £340k are reversals of items included in the Net Cost of Services and therefore have no impact on the overall outturn.
- Revenue contributions to capital are over budget by £249k but £157k of this has been funded from earmarked reserves.
- A detailed breakdown of the movements to and from earmarked reserves can be seen in Note 8 to the Accounts.
- The variances in Retained business rates and Collection Fund Surplus totalling £2,202 arise from the timing difference between the amounts taken to the CI&E and the distribution of surpluses under legislation. The amounts distributed to preceptors and taken as income to the General Fund Balance (by the CI&E) are based on estimates, which have been higher than actual deficits incurred due to an increase in the business rates appeal provision in the accounts. The accounting is in accordance with the code. However, the Council believes that this gives a misleading impression of the General Fund Balance and consider it prudent to transfer an amount of £3,250k from the General Fund Balance into Earmarked reserves as shown in the table above. This amount is inclusive of amounts taken to income in the General Fund Balance in prior years. The earmarked reserve will be released back to the General Fund in future years as the timing differences are reversed.

Explanatory Foreword to the Statement of Accounts

2.2 HRA results compared to budget

The following table shows the major variances between the budgeted HRA and the actual for the year. The table shows that the Council's net spending for 2014/2015 was £616k less than originally budgeted and after transfers to reserves, the HRA balance decreased to £3,276k.

	Note	Budget £'000	Actual £'000	Variance £'000
Income				
Rent and Other Charges		(27,472)	(27,496)	(24)
Supporting People		(166)	(188)	(22)
Minor variances		(423)	(430)	(8)
Total Income	i	(28,060)	(28,114)	(53)
Expenditure				
Supervision and Management	ii	5,141	4,953	(186)
Repairs	iii	3,690	3,502	(188)
Minor variances		238	208	(30)
HSF Loans		8,727	8,726	(1)
Capital Programme	iv	10,757	10,599	(158)
Total Expenditure		28,553	27,989	(563)
Net (Income)/Expenditure		492	(124)	(616)
Earmarked Reserves	v	-	215	215
Total for year		492	91	(401)
HRA surplus brought forward			(3,367)	
HRA surplus carried forward			(3,276)	

- i. The variance on HRA Income was less than 1% of the budget. The breakdown between different income categories is shown on the table.
- ii. The budget for Universal Credit preparation was not required in 2014/15 due to a revised roll out timetable by Central Government to 2016/17 and there were budget savings on a new Window Cleaning contract and on building insurance charges.
- iii. The Responsive Repairs contract was successfully retendered resulting in lower costs.
- iv. Savings were made on capital contracts, this has been set aside for future works.
- v. An amount has been set aside for an uninsured loss and for future capital works,

Explanatory Foreword to the Statement of Accounts

3. Accounting Policies

The Council's Accounting Policies are set out following the Core Financial Statements.

4. Collection Fund

The Council collects Council Tax for itself and also on behalf of Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire and Business Rates are collected for itself and on behalf of Hertfordshire County Council and central government. The Collection Fund records the income from Council Tax and Business Rates and its distribution.

As at 31 March 2015, the Collection Fund had a deficit of £7,298k, (2013/2014 deficit £2,519k), reflecting an in-year deficit of £4,779k. The in-year deficit is mainly due to the difference between estimated amounts distributed during the year and actual amounts collected for business rates under the Business Rates Retention Scheme introduced last year. Under this scheme St Albans City and District Council retains 40% of the business rates collected for the area with 10% being payable to Hertfordshire County Council and 50% to central government.

The Council's share of the Collection Fund deficit of £7,298k is £3,480k, and will be taken into account in future years' distributions in accordance with the scheme. The council has set aside an earmarked reserve to mitigate the effect on the General Fund Balance in future years.

Explanatory Foreword to the Statement of Accounts

5. Capital

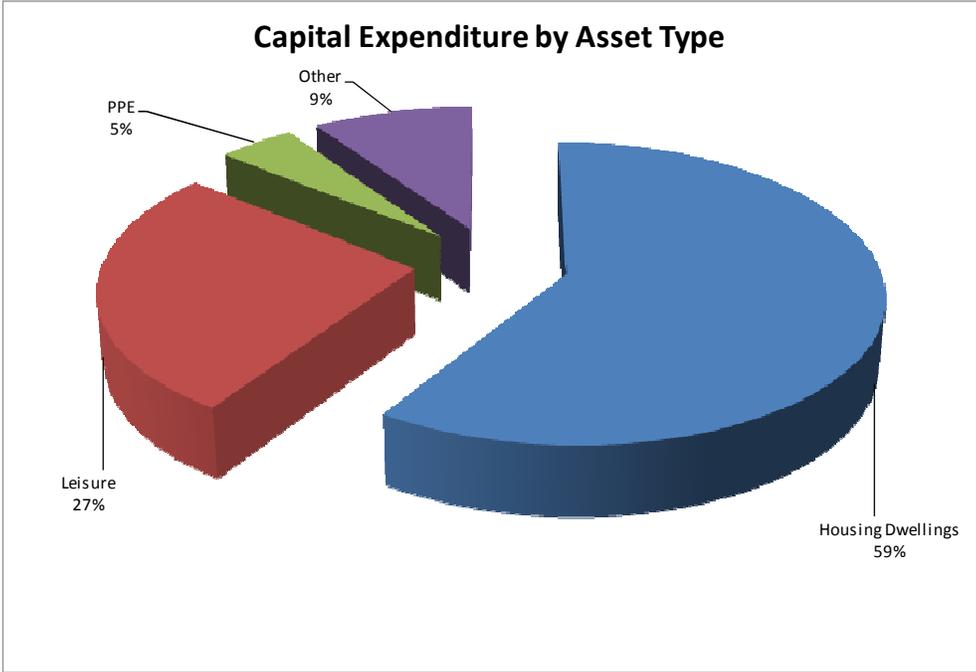
Capital expenditure relates to the acquisition of non-current assets or expenditure that adds to (and not merely maintains) the value of an existing asset. The following table shows the capital outturn results for 2014/15.

CAPITAL PROGRAMME	2013/14 £'000	2014/15 £'000
Intangible assets	33	122
Infrastructure	-	226
Property, plant and equipment (PPE)	1,844	925
REFCUS*	2,452	1,573
Dwellings	9,120	11,934
Cotlandswick Leisure	-	4,017
Westminster Lodge Centre	832	88
Batchwood Leisure	6,270	1,280
Total	20,551	20,165
This Capital Programme was financed as follows:		
Capital receipts	1,359	2,361
Insurance Income	4,333	-
Major repairs reserve	9,824	5,475
Government grants and third party contributions	2,119	3,158
Revenue contribution to capital expenditure	801	5,520
Prudential borrowing	2,115	3,651
Total	20,551	20,165
APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS IS:		
	2015/16 £'000	2016/17 £'000
General Fund	8,813	7,744
Housing investment programme	12,088	15,383
Total Capital Expenditure	20,900	23,127
Financed by:		
Borrowing requirements	7,961	-
Major repairs reserve	9,413	10,603
Grants and contributions	807	4,087
Capital reserves / receipts	2,720	8,437
Total	20,900	23,127

*Refcus: Revenue Expenditure Funded from Capital Under Statute. This is expenditure of a capital nature that does not result in an asset belonging to the council, for example home improvement grants and contributions to housing associations' capital programmes.

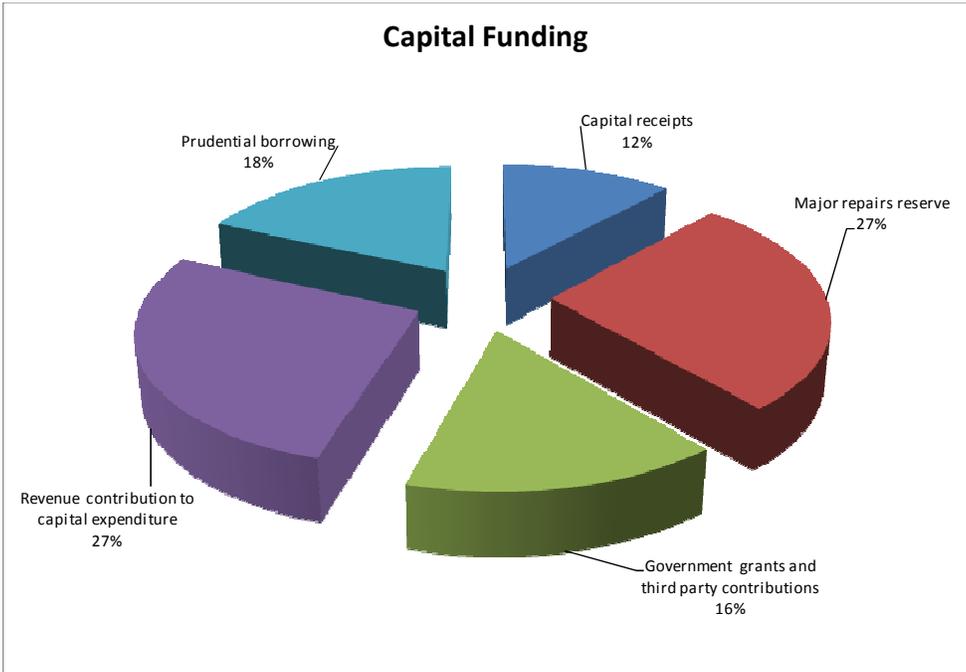
Explanatory Foreword to the Statement of Accounts

5. continued



During 2014/2015 the Council has carried out a project to refurbish leisure facilities at Westminster Lodge, Batchwood and Cotlandswick. £5.4m was spent on the projects in 2014/2015.

The Council has an ongoing programme of capital expenditure to make improvements to its housing stock. A breakdown listing of housing additions is shown in the HRA section of the statement of accounts.



Explanatory Foreword to the Statement of Accounts

6. Pensions

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long term to pay retirement benefits. Overall, the pension fund deficit has increased by £3,840k during the year to £48,406k (2013/2014 £44,566k). This is because of the impact of unfavourable actuarial assumptions. The pension liability has a significant effect on the net worth of the Council, however statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected. Detailed information on the performance of the Pension Fund is set out in the Core Financial Statements.

The latest triennial actuarial valuation of the assets and liabilities of the Council's share of Hertfordshire County Council's Pension Fund was completed as at the 31 March 2013. A revised common rate of employer's contribution commenced on 1 April 2013, taking into account the net pension liability disclosed above.

7. The Council's Financial Climate and Current Economic Climate

The Council, by law, manages its Housing Revenue Account separately from the rest of its services, the General Fund.

The General Fund services are funded very approximately two thirds from Council Tax raised locally and one third from Government grant and non-domestic rates. Council Tax has been frozen for the 7 years to 2015/2016. Government grant has been reducing as part of the Government's deficit reduction programme. The Council has made savings of £2.0m, £1.1m, £1.8m, £1.0m and £0.9m in the five years up to 2015/2016 and expects to make savings of approximately £1million in 2016/2017. This is after taking account of inflation, latest forecasts of grant income and a zero percent Council Tax increase in 2015/2016.

Looking further forward the medium term prospects are for further Government grant reductions leading to a further requirement for ongoing savings and the Council is also planning to reduce the reliance it places on the New Homes Bonus grant for day to day spending, and instead use more of this for one off spending.

The Housing Revenue Account (HRA) is funded primarily by rents paid by tenants. It does not get any income from local taxation. The main financial issue for the HRA is the requirement to cover borrowings, which are all at fixed interest rates. The Council produces a 30 year business plan for the HRA taking into account this debt repayment, the amount it spends on running Housing services to tenants, including repairs and investments and the rents it expects to get, the latter based on Government guidance. The main financial issues for the HRA are:

- Changes to the government guidance on rents which remove the requirement for rents to rise to converge with other parts of the social housing sector.
- Balancing the investment needs against rent levels and a desire to clear the debt early if possible.

Explanatory Foreword to the Statement of Accounts

7. continued

- Changes to benefit payments and methods of paying them which seem likely to increase rent arrears and write offs.

The main impact of general economic conditions on the Council's General Fund and HRA are in:

- The impact of the Government's deficit reduction measures on government grant and welfare payments
- Currently low interest rates and low inflation.

The main risks the Council faces that might impact financially on it are largely those around large capital project spending, or income streams that support them, income from recycling sales and the rate of recycling and the cost of planning appeals. The Annual Governance Statement gives some details on how the Council manages risks. The Council, when it sets the budget, reviews the major risks and the level of reserves that could be used to meet any costs. However, for both the General Fund and the HRA, the general balances are not used to fund ongoing costs.

8. Change in Accounting Policy – Prior Year Adjustment

The Council has changed its policy relating to the write off of replaced asset components (see 1.18e). The revised policy more accurately reflects the fact that the old components as written off or de-recognised rather than 'impaired', as they were previously treated. While the accounting entries are different, there is no effect on Balance Sheet values nor on the General Fund and HRA Balances. In 2013/14 in year additions to HRA Dwellings were impaired with an adjustment to the Revaluation Reserve (£4.7 million) and an adjustment to the Housing Revenue Account (£4.5 million). In 2014/15 the replaced components (£9.2 million) have been written off and disclosed on the HRA Statement and Movement on HRA Statement as a type of 'loss on disposal'. Prior year figures have been restated so that comparison can be made between the current and prior year. Details of the restated amounts are shown in note 44.

9. Glossary of Terms

While the Council makes every effort to make the Statement of Accounts as simple as possible, it is necessary to comply with accounting regulations and standards and as such terms and phrases not in ordinary usage are necessary. A glossary of terms explaining some of the main accounting terms and phrases used in the Statement of Accounts is included at the back of this document.

Statement of Responsibilities for the Statement of Accounts

St Albans City and District Council's responsibilities

The Deputy Chief Executive (Finance)'s responsibilities

The Deputy Chief Executive (Finance) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom referred to as 'the Code'.

In preparing this Statement of Accounts, the Deputy Chief Executive (Finance) has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.
- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2015 and of its expenditure and income for the year then ended.

The unaudited Accounts were issued on 24 June 2015 and, when completed, the audited Accounts were presented to the Council's Audit Committee for review on 29 September 2015, respectively, prior to authorisation and issue.



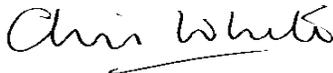
C O'Callaghan
Deputy Chief Executive (Finance)

Date: 29th September, 2015

St Albans City and District Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for administration of those affairs. In this Council that officer is the Deputy Chief Executive (Finance).
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- approve the Statement of Accounts.

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was approved by the Audit Committee on 29th September, 2015.



Councillor C White
Chair of the Audit Committee

Date: 29th September, 2015

Movement in Reserves Statement 2014-2015

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014	3,843	3,331	3,367	431	13,091	3,645	1,286	28,994	307,603	336,597
Movement in reserves during 2014/15										
Surplus or (deficit) on the provision of services	(4,519)	-	5,792	-	-	-	-	1,273	-	1,273
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	65,777	65,777
Total Comprehensive Income and Expenditure	(4,519)	-	5,792	-	-	-	-	1,273	65,777	67,050
Adjustments between accounting basis & funding basis under regulations (note 7)	5,629	-	(5,668)	-	2,143	390	(882)	1,612	(1,612)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	1,110	-	124	-	2,143	390	(882)	2,885	64,165	67,050
Transfers to/from Earmarked Reserves (note 8)	(3,264)	3,264	(215)	215	-	-	-	-	-	-
Increase/Decrease in 2014/15	(2,154)	3,264	(91)	215	2,143	390	(882)	2,885	64,165	67,050
Balance at 31 March 2015 carried forward	1,689	6,595	3,276	646	15,234	4,035	404	31,879	371,768	403,647

Unusable Reserves are not available to fund future expenditure and include, for example, unrealised gains following the revaluation of the Council's property assets.

Movement in Reserves Statement 2013-2014

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	Restated* £'000	£'000	Restated* £'000	£'000	£'000	£'000	£'000	Restated* £'000	Restated* £'000	Restated* £'000
Balance at 31 March 2013	5,039	1,280	2,758	231	10,312	2,469	1,805	23,894	214,278	238,172
Movement in reserves during 2013/14										
Surplus or (deficit) on the provision of services	(1,567)	-	15,416	-	-	-	-	13,849		13,849
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	84,576	84,576
Total Comprehensive Income and Expenditure	(1,567)	-	15,416	-	-	-	-	13,849	84,576	98,425
Adjustments between accounting basis & funding basis under regulations (note 7)	2,422	-	(14,607)	-	2,779	1,176	(519)	(8,749)	8,749	-
Net Increase/Decrease before Transfers to Earmarked Reserves	855	-	809	-	2,779	1,176	(519)	5,100	93,325	98,425
Transfers to/from Earmarked Reserves (note 8)	(2,051)	2,051	(200)	200	-	-	-	-	-	-
Increase/Decrease in 2013/14	(1,196)	2,051	609	200	2,779	1,176	(519)	5,100	93,325	98,425
Balance at 31 March 2014 carried forward	3,843	3,331	3,367	431	13,091	3,645	1,286	28,994	307,603	336,597

* For details of restatement please see note 44.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Exp.	Gross Income	Net Exp.		Gross Expenditure	Gross Income	Net Expenditure
2013/2014	2013/2014	2013/2014		2014/2015	2014/2015	2014/2015
Restated *		Restated *				
£'000	£'000	£'000		£'000	£'000	£'000
			Central Services			
51	(91)	(40)	Council Tax benefit payments	-	(40)	(40)
3,013	(804)	2,209	Other central services	3,067	(904)	2,163
7,790	(1,583)	6,207	Cultural and Related Services	7,387	(2,250)	5,137
8,748	(2,122)	6,626	Environmental and Regulatory Services	8,771	(2,218)	6,553
4,209	(1,617)	2,592	Planning and Development Services	4,648	(1,664)	2,984
1,149	(2,113)	(964)	Highways and Transport Services (i)	1,367	(2,328)	(961)
			Housing Services			
32,574	(32,854)	(280)	Housing benefit payments	33,288	(33,220)	68
2,784	(817)	1,967	Other housing services (ii)	2,686	(806)	1,880
20,033	(27,699)	(7,666)	Local Authority Housing (HRA) (iii)	16,068	(28,593)	(12,525)
(20,242)	-	(20,242)	Revaluation gain on HRA properties	(5,088)	-	(5,088)
3,088	(2,065)	1,023	Corporate and Democratic Core	3,509	(3,184)	325
-	-	-	Non distributed Costs	15	-	15
63,197	(71,765)	(8,568)	Cost of Services	75,718	(75,207)	511
		10,914	Other operating expenditure	note 9		10,319
		7,110	Financing and investment income and expenditure	note 10		7,483
		(23,305)	Taxation and non-specific grant income	note 11		(19,586)
		(13,849)	Surplus on Provision of Services			(1,273)
		(78,252)	Surplus on revaluation of property, plant and equipment assets	note 24.1		(68,510)
		(6,324)	Actuarial (gains)/losses on pension	note 39		2,733
		(84,576)	Other Comprehensive Income and Expenditure			(65,777)
		(98,425)	Total Comprehensive Income and Expenditure			(67,050)

* For details of re-statement, see note 44.

Comprehensive Income and Expenditure Statement

- i The Council is not a highways authority and therefore not responsible for the upkeep of roads in the district. This heading includes costs and income relating to car parks, public transport subsidies, roadside furniture and the depreciation of related assets.
- ii Other housing services includes home renovation grants, costs of caring for homeless people and the cost of administering housing benefits.
- iii The Housing Revenue Account is a ringfenced account for Council tenants, which has a separate section in the Financial Statements.

Balance Sheet as at 31 March 2015

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is unusable reserves - those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

30 March 2013 £'000	31 March 2014 £'000		Note	31 March 2015 £'000
462,418	552,076	Property Plant and Equipment	12	621,720
5,139	5,256	Heritage Assets	13	5,380
7,554	7,801	Investment property	14	7,335
260	160	Intangible Assets	15	239
1	1	Long term investments	16	1
164	148	Long term debtors	16	162
475,536	565,442	Long Term Assets		634,837
5,120	5,043	Short Term Investments	16	-
648	350	Assets Held for Sale	17	351
40	48	Inventories	18	48
5,246	7,881	Short Term Debtors	19	8,134
4,803	4,535	Cash and Cash equivalents	20	8,603
15,857	17,857	Current Assets		17,136
(1,000)	(3,500)	Short Term Borrowing	16	(2,000)
(11,787)	(9,692)	Short Term Creditors	21	(9,542)
(12,787)	(13,192)	Current Liabilities		(11,542)
(49,580)	(44,566)	Pension Liability	39	(48,406)
(190,076)	(186,576)	Long term borrowing	16	(184,576)
(68)	(830)	Other Long term Liabilities and Provisions	22	(2,664)
(710)	(1,538)	Capital Grants Receipts in Advance	35	(1,138)
(240,434)	(233,510)	Long Term Liabilities		(236,784)
238,172	336,597	Net Assets		403,647
23,894	28,994	Usable Reserves	23	31,879
214,278	307,603	Unusable reserves	24	371,768
238,172	336,597	Total reserves		403,647

* For details of re-statement, see note 44.

The unaudited accounts were issued on 24 June 2015, and the audited accounts were authorised for issue on 29 September 2015.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2013/2014 Restated* £'000		Notes	2014/2015 £'000
13,849	Net surplus or (deficit) on the provision of services		1,273
3,147	Adjustment to net surplus or deficit on the provision of services for non-cash movements	25	21,424
(11,143)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(7,748)
5,853	Net cash flows from Operating Activities		14,949
(4,883)	Investing Activities	27	(6,681)
(1,238)	Financing Activities	28	(4,200)
(268)	Net increase or decrease in cash and cash equivalents		4,068
4,803	Cash and cash equivalents at the beginning of the reporting period		4,535
4,535	Cash and cash equivalents at the end of the reporting period		8,603

* For details of re-statement, see note 44.

Notes to the Accounts

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014-15 financial year and its position at the year-end 31 March 2015. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2014-15 and the Service Reporting Code of Practice 2014/2015, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet. The exceptions to this rule are energy payments (*e.g. electricity, gas, etc.*) and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years and rental income, where credit is taken according to rental periods. The policy is consistently applied each year and therefore does not have a material effect on any one-year's accounts.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest is receivable on investments and payable on borrowings and is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Notes to the Accounts

1.3 Principal and Agent accounting policy

The majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a 'Principal'.

However, there are some situations where the Council is acting as an Agent, that is, the Council is acting as an intermediary for all or part of a transaction or service. The two main instances where this occurs are in relation to Council Tax and Business Rates where the Council is collecting Council tax and Business Rates income on behalf of itself and its 'preceptors' (Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire in relation to Council Tax and the Department for Communities and Local Government (DCLG) and Hertfordshire County Council in relation to Business Rates).

The implications for this is that, at the year end, any balance sheet balances in relation to these Agent relationships are split between the Council and its preceptors and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown separately as amounts due from/to the preceptors.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three calendar months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Notes to the Accounts

1.6 Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding Non-Current Assets during the year.

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses on assets used by services where there are no accumulated gains in the revaluation reserve against which losses can be written off.
- Amortisation of intangible Non-Current Assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction of its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund or HRA Balances by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. The only exception to this is non-dwelling assets held by the HRA, where the revaluation and impairment losses are not reversed to the Capital Adjustment Account.

1.7 Employee Benefits

1.7a Benefits Payable During Employment

Short-term employee benefits are those expecting to be settled within 12 months of the year end. They include wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year in which the employee renders the service to the Council.

Short-term employee benefits earned by employees but not taken before the year-end, which employees can carry forward into the next financial year, consists mainly of untaken leave. The Council has a policy of not carrying forward leave except in exceptional circumstances and therefore the value of untaken leave at year end is not material to the accounts and no accrual is made.

1.7b Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs of a restructuring.

Notes to the Accounts

1.7b continued

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Employment Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.7c Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme administered by Hertfordshire County Council. The scheme provides defined benefits to members (retirement lump sum and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits Scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 6.9% real (based on the indicative rate of return on a high-quality corporate bond (iBoxx Sterling Corporate Index, AA over 15 years)).
- The assets of the Hertfordshire Local Government Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:
 - current service costs – increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;

Notes to the Accounts

1.7c continued

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the Hertfordshire Local Government Pension Fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being able to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Notes to the Accounts

1.8 Events after the Balance Sheet date

Events after the Balance Sheet date are those events, either favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- **Adjusting events** – those that provide evidence of conditions that existed at the Balance Sheet date and materially affect the amounts included. The Statement of Accounts is adjusted to reflect such events.
- **Non-adjusting events** – those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

1.9 Financial Instruments

1.9a Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For all of the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

1.9b Financial Assets

Financial Assets held by the Council consist of 'Loans and Receivables'. That is, assets that have fixed or determinable payments but are not quoted in an active market, for example bank deposits, investments and trade receivables.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the Council's loans made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Notes to the Accounts

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Notes to the Accounts

1.11 Heritage Assets

A tangible Heritage Asset is a physical asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Council's Heritage Assets can be categorised as follows:

- Land and buildings
- Artifacts
- Sculptures, and war memorials
- Civic regalia and chains of office
- Ancient walls and ruins.

There are very few acquisitions or disposals. Acquisitions are initially recognised at cost, and donated assets at insurance valuation.

1.11a *Land and Buildings*

Heritage Property is often operational. Where this is the case, the asset remains in its operational category, and is not separately identified. These assets are included in the appropriate Property Plant and Equipment or Investment Property category.

Property heritage assets that are not operational are identified separately on the face of the balance sheet as 'Heritage Assets'. The assets are re-valued every five years on a depreciated replacement cost basis as no market exists for such assets.

These assets are deemed to have an indeterminate life and high residual values and the Council does not consider it necessary to provide for depreciation.

1.11b *Artifacts*

Cost information for artifacts is not available and the Council is of the opinion that the cost of obtaining valuations for these assets, due to their unique nature, would be disproportionate to any benefit derived.

1.11c *Sculptures and War Memorials*

These assets are re-valued every five years at insurance values (replacement cost). They are deemed to have an indeterminate life and high residual values and the Council does not consider it necessary to provide for depreciation.

Notes to the Accounts

1.11d *Civic Regalia and Chains of Office*

The chains of office and general civic regalia are valued on the basis of the insurance replacement cost. The values are reviewed every five years. These assets are deemed to have an indeterminate life and high residual values, and the Council does not consider it necessary to provide for depreciation.

There are very few acquisitions or disposals. Acquisitions are initially recognised at cost, and donated assets at insurance valuation.

1.11e *Ancient Walls and Ruins*

St Albans is rich with ancient remains, and these include Roman walls, archaeological gardens and ruins. These have no intrinsic value.

The Council has made appropriate disclosures for these assets not recognised on the balance sheet.

1.12 *Intangible Assets*

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council as a result of a past event (e.g. software licences and system development expenditure) is capitalised when it is expected that future benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The valuation of an intangible asset is amortised over the asset's useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired with any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. Such gains and losses are therefore reversed out of General Fund balance in the Movement of Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Notes to the Accounts

1.13 Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

1.14 Investment Property

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation such as shops and offices let to other organisations. Where an asset is used for an operational purpose, i.e. to facilitate the delivery of services or production of goods or is held for sale, it will be considered as Property Plant and Equipment. Also, if the asset is only partially used for operational purposes it will still be classified as Property Plant and Equipment and not Investment Properties.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued where it is considered there has been a material change in value. All Investment properties are reviewed every year to establish which may have been subject to a material change and those identified as such are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

1.15 Jointly Controlled Operations and Jointly Controlled Assets

The Council is one of five contributing to the operations of the West Hertfordshire Crematorium Joint Board. The Council's share of the activity is considered to be immaterial, and is disclosed by way of a note to the Statement of Accounts and therefore Group accounts are not prepared. The Council does not control the assets and therefore they are not included in the Balance Sheet.

Notes to the Accounts

1.16 Leases

Leases are classified as finance leases where the terms of the lease transfers substantially all the risks and rewards incidental to ownership of the property plant or equipment from the lessor to the lessee. All other leases are operational leases.

Where a lease covers both land and buildings the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payments are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.16a *The Council as Lessee*

Finance Leases

The Council has no finance leases.

Operating Leases

Rentals paid under operational leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from the use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease even if this does not match the pattern of payments.

1.16b *The Council as Lessor*

Finance Leases

The Council has no finance leases.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Notes to the Accounts

1.17 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received (in terms of employee time spent, running costs and office space used), with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

1.18 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Council does not capitalise small value items (under £10k) unless the items can be grouped together to create an asset group of over £10k, for example computer equipment. Items not capitalised are charged as an expense when incurred.

1.18a Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with them will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to the potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Notes to the Accounts

1.18b Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost
- Dwellings – fair value determined using the basis of existing use value for social housing (EUV-SH)
- Vehicles, plant and equipment – historical cost is used as a proxy for fair value on the grounds of materiality.
- All other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying value is not materially different from their fair value at the year-end, but as a minimum every five years. This may be done on a rolling basis (for example 20% per annum) so that all assets are revalued over a five year period. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Notes to the Accounts

1.18c Impairment

An impairment occurs when the value of an asset is reduced by other than normal market value changes. These include physical damage, obsolescence and deterioration in the expected level of performance. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.18d Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment and Infrastructure – straight-line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation is not charged in the year of acquisition.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Notes to the Accounts

1.18e Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset or a component of an asset is disposed of, derecognised or decommissioned, the carrying amount of the asset or component in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Notes to the Accounts

1.19 Provisions

Provisions are made where an event has taken place that gives the Council a obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the estimation of likely settlement as at the Balance Sheet date. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service account.

Provisions for bad or doubtful debts are included within debtors on the Balance Sheet and not in the provisions figure. Known uncollectable debts have been written off.

1.20 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in Note 40.

1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked Reserves are created by appropriating amounts out of the General Fund and HRA Balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Surplus or Deficit on the Provision of Service in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The Earmarked Reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Notes to the Accounts

1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance or the Housing Revenue Account Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.23 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenues and Customs. VAT receivable is excluded from income.

2. Accounting Standards that have been issued but have not yet been adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code also requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2015/16 Code that are relevant to these requirements are:

- IFRS 13 *Fair Value Measurement* (May 2011);
- *Annual Improvements to IFRSs (2011 – 2013 Cycle)* – see next paragraph for further details;
- IFRIC 21 *Levies*.

The issues included in the *Annual Improvements to IFRSs 2011 – 2013* cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

It is anticipated that the above list of accounting standards will not have a material impact on the accounts of St Albans City and District Council.

Notes to the Accounts

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government including the future of Business Rate income. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The Council has a programme of capital work of around £9.4 million per year on the housing stock, and undertakes major repairs and maintenance which will be able to sustain assumptions made regarding the useful lives assigned to assets.

A review of HRA Asset Components during 2014/15 resulted in a categorisation of properties by type before components are assigned and valued. The review included an analysis of components used by the National Housing Federation, St Albans Stock Condition Survey and LAAP86. Previously dwellings were categorised by type of roof to align depreciation with the revaluation process this was changed to categories of House, Flat and Bungalow. The life of components were also adjusted with the main fabric of the building considered to last for 100 years.

This change in accounting estimate resulted in a lower depreciation charge than 2013/14. Using the revised components the depreciation charge for Dwellings in 2014/15 is £5.6m, under the previous components this would have been £11.5m.

If however, the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if the annual depreciation charge for assets were to increase by 1% the extra charge would amount to £86k.

Notes to the Accounts

4. continued

Pensions Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions cannot be measured accurately. The assumptions interact in complex ways. During 2014/2015, the Council's actuaries advised that the net pensions liability had increased by £3.8 million to £48.4 million (2013/2014 £44.6 million).

Business rates appeals provision

Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2014/2015 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2015. It is unknown how many of the outstanding appeals will be successful, though estimation techniques have been applied to the outstanding appeals using historic success rate data and the latest Valuation Office (VAO) ratings list of appeals. Recent changes to the regulations relating to the backdating of appeals led to an increased number of claims being submitted towards the end of 2014/15 and we considered whether a proportion of these may be speculative in nature in the calculation of the appeal. The total provision for appeals is £6,300k and the Council's share held in the Balance Sheet is £2,505k, which is an increase of £1,675k from the previous year. If business rate appeals were to increase significantly, the provision would have to be reassessed and increased and any increase in liability would be shared between the Council, Central Government and Hertfordshire County Council. The Council has taken independent advice on the level of provision required and believe the provision to be reasonable. However, as an example, a decrease in the business rate yield of 5% as a result of successful appeals would increase the required provision by £300k affecting the surplus/deficit on the Collection Fund and amounts to be distributed to the preceptors and Central Government.

Arrears

At 31 March 2015, the Council had a balance of sundry debtors. A review of significant balances suggested that a doubtful debt impairment of 38.4% (£549k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate an increase in the impairment of doubtful debts would be required. A doubling of the amount of the impairment of doubtful debts, up to a maximum of 100%, would require an additional £140k to be set aside as an allowance.

Notes to the Accounts

5. Material Items of income and expense

5.1 Pension Fund Actuarial Gain

The Pension Fund Actuary has reported an actuarial loss for 2014/2015 of £2.7 million (2013/2014 £6.3 million gain), contributing to the pension fund deficit of £48.4 million. This is reported as a gain on the Comprehensive Income & Expenditure Statement, and subsequently adjusted (in accordance with proper practice) via the Movement in Reserves Statement to ensure it has no General Fund Balance implications.

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Finance) on 26th June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No events leading to adjustments have occurred as of 26th June 2015.

Notes to the Accounts

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the Financial Year. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve for housing purposes. The MRR is restricted to being applied to new capital investment on HRA assets or the financing of historical capital expenditure by the HRA.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
2014/2015						
Adjustments involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive income and Expenditure Statement (CI&ES)						
Charges for depreciation and impairment of non-current assets	(3,268)	(1,393)	-	-	-	4,661
Amortisation of intangible assets	(36)	(7)	-	-	-	43
Movements in the market value of Investment Properties	(461)	(5)	-	-	-	466
Capital grants and contributions applied	1,503	835	-	-	-	(2,338)
Revenue Expenditure Funded from Capital under Statute	(908)	(665)	-	-	-	1,573
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(59)	(3,004)	-	-	-	3,063
Write off of replaced asset components charged to the CI&ES	(277)	(9,216)	-	-	-	9,493
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Provision for the repayment of debt	-	3,500	-	-	-	(3,500)
Statutory provision for the financing of capital investment	796	-	-	-	-	(796)
Capital Expenditure charged against the General Fund and HRA balances	779	4,740	-	-	-	(5,519)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CI&ES	22	-	-	-	(22)	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	821	(821)
Capital grants unapplied reclassified and transferred to the General Fund Balance	(83)	-	-	-	83	-
Adjustments involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	59	5,137	(5,196)	-	-	-
Other capital receipts taken to the CI&ES	78	85	(163)	-	-	-
Use of the Capital Receipts Reserve to finance new expenditure	-	-	2,362	-	-	(2,362)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	-	(35)	35	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(834)	-	834	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	(15)	-	-	15
Adjustments involving the Deferred Capital Receipts Reserve						
Transfer of deferred capital receipts credited to the CI&ES	30	-	-	-	-	(30)
Adjustments involving the Major Repairs Reserve (MRR)						
Reversal of the depreciation credited to the HRA	-	5,865	-	(5,865)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	5,475	-	(5,475)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (see note 39)	(3,337)	(578)	-	-	-	3,915
Employer's pensions contributions and direct payments to pensioners payable in the year	2,399	409	-	-	-	(2,808)
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CI&ES is different from council tax and business rate income calculated for the year in accordance with statutory requirements	(2,032)	-	-	-	-	2,032
Total Adjustments	(5,629)	5,668	(2,143)	(390)	882	1,612

Notes to the Accounts

Adjustments between accounting basis and funding basis under regulations	Usable reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital Grants Unapplied	
2013/2014 (Restated*)	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account (CAA):						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CI&ES)						
Charges for depreciation and impairment of non-current assets	(2,239)	9,096	-	-	-	(6,857)
Amortisation of intangible assets	(126)	-	-	-	-	126
Movements in the market value of Investment Properties	(255)	-	-	-	-	255
Capital grants and contributions applied	1,226	384	-	-	-	(1,610)
Insurance receipt used to fund capital expenditure	4,333	-	-	-	-	(4,333)
Revenue Expenditure Funded from Capital under Statute	(1,844)	(607)	-	-	-	2,451
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(33)	(3,183)	-	-	-	3,216
Write off of replaced asset components charged to the CI&ES	(905)	(9,182)	-	-	-	10,087
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision for the repayment of debt	-	1,822	-	-	-	(1,822)
Statutory provision for the financing of capital investment	644	-	-	-	-	(644)
Capital Expenditure charged against the General Fund and HRA balances	417	12	-	-	-	(429)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CI&ES	51	-	-	-	(51)	-
Application of grants to capital financing transferred to the CAA	-	-	-	-	509	(509)
Capital grants unapplied reclassified and transferred to the General Fund Balance	(61)	-	-	-	61	-
Adjustments involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	14	5,206	(5,220)	-	-	-
Other Capital Receipts taken to the CI&ES	-	313	(313)	-	-	-
Use of the Capital Receipts Reserve to finance new expenditure	-	-	1,359	-	-	(1,359)
Use of the Capital Receipts Reserve to fund repayment of debt	-	-	480	-	-	(480)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	-	(48)	48	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(883)	-	883	-	-	-
Transfer from the Deferred Capital receipts reserve upon receipt of cash	-	-	(16)	-	-	16
Adjustments involving the Major Repairs Reserve						
Reversal of the depreciation credited to the HRA	-	11,000	-	(11,000)	-	-
Use of the MRR to finance new capital expenditure	-	-	-	9,824	-	(9,824)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (see note 40)	(3,731)	(708)	-	-	-	4,439
Employer's pensions contributions and direct payments to pensioners payable in the year	2,627	502	-	-	-	(3,129)
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CI&ES is different from council tax income calculated for the year in accordance with statutory requirements	(1,657)	-	-	-	-	1,657
Total Adjustments	(2,422)	14,607	(2,779)	(1,176)	519	(8,749)

* For details of re-statement, see note 44.

Notes to the Accounts

8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2014/2015.

	Balance at 1 April 2013 £'000	Transfers out 2013/2014 £'000	Transfers In 2013/2014 £'000	Balance at 31 March 2014 £'000	Transfers out 2014/2015 £'000	Transfers In 2014/2015 £'000	Balance at 31 March 2015 £'000
General Fund							
Planning appeals reserve	-	-	1,500	1,500	(224)		1,276
Collection Fund Equalisation	-	-	-	-		3,250	3,250
Westminster Lodge capital reserve	-	-	72	72		72	144
LABGI	157	(20)	-	137	(25)		112
Amenity Area Maintenance	189	-	-	189			189
S52 Town & Country Planning	140	-	-	140	(140)		-
Building maintenance reserve	200	(92)	-	108		76	184
Building control account	141	-	26	167	(132)	347	382
Local development framework	-	-	157	157		101	258
Performance Reward Grant	131	(13)	-	118	(7)		111
Other Reserves Under £100k	322	(135)	556	743	(249)	195	689
General Fund sub-total	1,280	(260)	2,311	3,331	(777)	4,041	6,595
HRA							
Revenue earmarked reserve	-	-	-	-	-	65	65
Capital expenditure reserve	231	-	200	431	-	150	581
HRA sub-total	231	-	200	431	-	215	646
Total	1,511	(260)	2,511	3,762	(777)	4,256	7,241

£157k of the 'transfers out' in 2014/15 were used to fund Revenue Contributions to Capital charged to the CI&ES.

Notes to the Accounts

9. Other Operating Expenditure

2013/2014 Restated* £'000		2014/2015 £'000
2,259	Parish Council Precepts	2,288
883	Payments to the Government Housing Capital Receipts Pool	834
(2,002)	(Gains)/losses on the disposal of non-current assets	(2,133)
10,087	Write-off of replaced asset components	9,493
(313)	Other Capital receipts and income	(163)
10,914		10,319

* For details of re-statement, see note 44.

Write off or derecognition of replaced components relates to the writing off of significant components (for example bathrooms and windows) of housing properties that were replaced during the year. In prior years this was disclosed as an impairment but is more correctly disclosed here as a type of 'loss on disposal'.

10. Financing and Investment Income and Expenditure

2013/2014 £'000		2014/2015 £'000
5,234	Interest payable and similar charges	5,229
2,209	Net interest on the net defined benefit liability	1,812
(169)	Interest receivable and similar income	(115)
(241)	Changes in fair value of investment properties	466
77	(Surplus)/deficit from trading operations not included in Net Cost of Services	91
7,110		7,483

Notes to the Accounts

11. Taxation and Non-Specific Grant Income

2013/2014 £'000		2014/2015 £'000
	Council Tax	
(12,127)	Council Tax Income	(12,239)
(213)	Transfer from the Collection Fund	(261)
(12,340)	Council Tax net	(12,500)
	Business Rates	
(24,954)	Share of Business Rate income	(24,864)
22,631	Tariff paid to central government	23,072
1,687	Council's share of Business Rates deficit	2,098
(1,108)	Safety net payment due from central government	(1,717)
(1,744)	Business Rates net income	(1,411)
	Non-specific Grants	
(3,316)	Revenue support grant	(2,642)
(296)	Small Business Rate relief	(673)
(4,332)	Insurance receipts	-
(1,277)	Capital grants and contributions	(2,360)
(9,221)	Non-specific Grants sub-total	(5,675)
(23,305)	Total	(19,586)

Notes to the Accounts

12. Property, Plant and Equipment

Movements on Balances

The following two tables show the movements in PPE during the current and prior year analysed between categories of PPE.

PPE Movements 2014/2015	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
Cost or Valuation						
At 1 April 2014	424,274	130,025	9,360	1,607	7,455	572,721
Additions	10,927	396	220	253	6,676	18,472
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,001	31,105	-	-	-	58,106
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,182	(778)	-	-	-	2,404
Write off - replaced components	(9,098)	(396)	-	-	-	(9,494)
Write off - disposals	(2,673)	(43)	(72)	-	-	(2,788)
Assets reclassified (to)/from	-	7,334	17	83	(7,434)	-
Assets reclassified (to)/from assets held for sale	(327)	-	-	-	-	(327)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	(638)	-	-	-	(64)	(702)
Impairment (losses)/reversals recognised in the Revaluation Reserve	(43)	-	-	-	-	(43)
At 31 March 2015	452,605	167,643	9,525	1,943	6,633	638,349
Accumulated Depreciation and Impairment						
At 1 April 2014	(10,710)	(4,167)	(5,041)	(727)	-	(20,645)
Depreciation charge	(5,647)	(2,073)	(748)	(107)	-	(8,575)
Depreciation written out to the Revaluation	8,804	1,520	-	-	-	10,324
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	1,906	296	-	-	-	2,202
Write off - disposals	36	2	13	-	-	51
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	14	-	-	-	-	14
At 31 March 2015	(5,597)	(4,422)	(5,776)	(834)	-	(16,629)
Net Book Value						
At 31 March 2015	447,008	163,221	3,749	1,109	6,633	621,720
At 31 March 2014	413,564	125,859	4,318	880	7,455	552,076

Notes to the Accounts

12. Continued

PPE Movements 2013/2014	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Furniture & Equipment £'000	Infrastructure £'000	Asset Under Construction £'000	Property, Plant & Equipment Total £'000
	Restated*	Restated*				Restated*
Cost or Valuation						
At 1 April 2013	364,815	99,933	9,572	1,759	5,552	481,631
Additions	9,660	860	736	28	6,743	18,027
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,737	28,178	-	-	-	49,915
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	14,108	577	-	-	-	14,685
Write off - replaced components	(9,040)	(1,047)				(10,087)
Write off - disposals	(2,730)	-	(620)	(180)	-	(3,530)
Assets reclassified (to)/from	-	4,763	-	-	(4,763)	-
Assets reclassified (to)/from assets held for sale	(110)	(58)	-	-	-	(168)
Impairment (losses)/reversals recognised in the surplus/deficit on the Provision of Services	2,911	(834)	(329)	-	(77)	1,671
Impairment (losses)/reversals recognised in the Revaluation Reserve	22,923	(2,346)	-	-	-	20,577
At 31 March 2014	424,274	130,026	9,359	1,607	7,455	572,721
Accumulated Depreciation and Impairment						
At 1 April 2013	(9,723)	(3,702)	(4,981)	(807)	-	(19,213)
Depreciation charge	(10,722)	(2,264)	(781)	(100)	-	(13,867)
Depreciation written out to the Revaluation	6,771	870	-	-	-	7,641
Depreciation written out to the Surplus/(Deficit) on the Provision of Services	2,954	197	-	-	-	3,151
Write off - disposals	-	-	587	180	-	767
Assets reclassified (to)/from assets held for sale	5	7	-	-	-	12
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	5	725	134	-	-	864
At 31 March 2014	(10,710)	(4,167)	(5,041)	(727)	-	(20,645)
Net Book Value						
At 31 March 2014	413,564	125,859	4,318	880	7,455	552,076
At 31 March 2013	355,092	96,231	4,591	952	5,552	462,418

Notes to the Accounts

12. continued

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation. HRA dwellings are classified into type and size of building. The components have been reviewed and updated during 2014/15.

- Council dwellings, multi-occupied dwellings and other buildings are depreciated on the basis of their components, where appropriate as follows:
 - Land : no depreciation
 - Structure: 100 years
 - Roof : 70 years
 - Windows: 30 years
 - Internal components: 15 to 40 years
- Other buildings: 30 to 60 years
- Vehicles, plant and equipment, and intangible assets: 3 to 35 years
- Infrastructure: 5 to 20 years

Capital Commitments

As at 31st March 2015, the Council has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment in 2014/2015 at a cost of £1.7 million. Similar commitments at 31st March 2014 were £2.4 million.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations were carried out internally by qualified surveyors with the exception of certain specialised properties, which were carried out by external firms of Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant furniture and equipment are not valued and depreciation costs are used as a proxy for fair value.

The significant assumptions in estimating the fair values are:

- a) Title – that the title is good and marketable and is free from rights of way or easements, restrictive covenants, disputes or onerous usual outgoings.
- b) Environmental Matters – which the land and buildings comprising the property subject to the valuation, are not affected by any form of pollution, contamination, or adverse environmental matters.
- c) Plant and machinery - any that has been considered to form part of the property is included in the valuation.
- d) Statutory Requirements – that the property valued complies with all necessary statutory requirements such as the Defensive Premises Act 1972, building and fire regulations and there are no outstanding notices.
- e) Realisation Cost – no allowance has been made for the vendor’s sale cost nor for any tax liabilities which may arise.

Notes to the Accounts

12. continued

The Code prescribes that the classes of Property, Plant and Equipment shown in the following table are revalued at least once every five years. The table shows the carrying value of each class of asset in the accounts by year of valuation. In accordance with the Council's policy, depreciated historic cost is used as a proxy for fair value for Vehicles and Plant on the grounds of materiality. In view of the materiality to the accounts and material changes in value from year to year, council dwellings are revalued annually.

Year of valuation of value in accounts	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles and Plant £'000	Total £'000
Valued at historical Cost	-	-	3,749	3,749
Valued at current value in:				
2010/2011	-	3,150	-	3,150
2011/2012	-	17,129	-	17,129
2012/2013	-	7,679	-	7,679
2013/2014	-	81,418	-	81,418
2014/2015	447,008	53,845	-	500,853
Total	447,008	163,221	3,749	613,978

13. Heritage Assets

March 2014 £'000	Heritage Assets	31 March 2015 £'000
4,065	Exhibits	4,059
330	Silver	334
44	Civic Regalia	45
520	Cups and Trophies	520
34	Sculptures	36
263	War Memorials	386
5,256	Carrying Value	5,380

Notes to the Accounts

14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line, as part of the surplus/deficit from trading operations, in the Comprehensive Income and Expenditure Statement.

2013/2014 £'000		2014/2015 £'000
(619)	Rental income from investment property	(748)
82	Direct operating expenses arising from investment property	80
(537)	Net (gain)/loss	(668)

The following table summarises the movement in the fair value of investment properties over the year:

2013/14 £'000		2014/15 £'000
7,554	Balance at start of year:	7,801
247	Revaluation	
(42)	Impairment	(466)
205	Net loss from fair value adjustments	(466)
42	Additions	-
7,801	Balance at end of the year	7,335

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement.

Notes to the Accounts

15. Intangible Assets

Intangible Assets consist mainly of software licences and computer software programmes. The carrying amount of intangible assets is amortised on a straight line basis. In 2013/2014 £1,535k of fully amortised intangible assets, representing obsolete software, was removed from the asset register.

The movement on Intangible Asset balances during the year is as follows:

2013/14 £'000		2014/15 £'000
	Balance at start of year:	
1,978	Gross carrying amount	477
(1,718)	Accumulated amortisation	(317)
260	Net carrying amount at start of year	160
34	Purchases	122
(134)	Amortisation for the period	(43)
(1,535)	Remove cost of obsolete software	-
1,535	Remove amortisation on obsolete software	-
160	Net carrying amount at end of year	239
	Comprising:	
477	Gross carrying amount	599
(317)	Accumulated amortisation	(360)
160	Net carrying amount at end of year	239

The Amortisation for 2014/15 has been charged to the CI&ES. £7k has been charged to Housing Services Local Authority Housing (HRA) and £36k has been charged to Central Services Other Central Services.

Notes to the Accounts

16. Financial Instruments

Financial instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Current	
	At 31 March 2015 £'000	At 31 March 2014 £'000	At 31 March 2015 £'000	At 31 March 2014 £'000
Investments				
Loans and receivables	1	1	-	5,043
Cash and Cash Equivalents	-	-	8,600	4,535
Total investments	1	1	8,600	9,578
Debtors				
Financial assets carried at contract amounts	162	148	3,967	4,746
Borrowings				
Financial liabilities at amortised	(184,576)	(186,576)	(2,000)	(3,500)
Creditors				
Financial liabilities carried at contract amounts	(1,297)	(1,538)	(6,742)	(6,179)

Notes to the Accounts

16. continued

Income, Expense, Gains and Losses included in the Comprehensive Income & Expenditure Statement

Financial Liabilities: measured at amortised cost £'000	Financial Assets: loans and receivables £'000	2013/2014 Total £'000		Financial Liabilities: measured at amortised cost £'000	Financial Assets: loans and receivables £'000	2014/2015 Total £'000
5,235	-	5,235	Total interest expense in the Surplus or Deficit on the Provision of Services	5,229	-	5,229
-	(169)	(169)	Total interest income in the Surplus or Deficit on the Provision of Services	-	(115)	(115)
5,235	(169)	5,066	Net (gain)/loss for the year in Surplus or Deficit on the Provision of Services	5,229	(115)	5,114

Fair Value of assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long- term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2015 of 0.19 to 2.06% for loans from the Public Works Loan Board (PWLb) based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value.
- The fair value of trade or other receivables is taken to be the invoiced or billed amount.

Notes to the Accounts

16. continued

The fair values calculated are as follows:

Financial Assets

31 March 2014			31 March 2015	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
4,532	4,532	Cash	8,600	8,600
5,043	5,048	Fixed term deposits	-	-

Financial Liabilities

31 March 2014			31 March 2015	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
190,076	191,947	Public Works Loan Board loans	186,576	210,571

The fair value of liabilities is higher than the carrying amount because the Council's portfolio of loans is made up of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to the PWLB above current market rates. However, we expect interest rates to rise over the remaining life of the loans and if they do, the loans' fair value will decrease by their maturity point, meaning that the notional loss shown here will not be realized.

17. Assets Held for Sale

2013/2014		2014/2015
£'000		£'000
648	Balance at start of year	350
(453)	Assets sold in year	(326)
	Assets newly classified as held for sale	
155	- Property, Plant & Equipment	327
350	Balance at Year End	351

Notes to the Accounts

18. Inventories

Inventories consist mainly of goods for sale at the museums and Town Hall Tourist Information Centre and stationery and print supplies.

19. Debtors

At 31 March 2014 £'000		At 31 March 2015 £'000
2,508	Central Government Bodies	4,047
394	Other Local Authorities	7
	Other entities and Individuals:	
1,204	Housing Rents arrears	1,172
(345)	Less Impairment Allowance	(375)
859	Housing arrears net	797
1,877	Council Tax and Business Rates	2,003
(994)	Less share of impairment allowances	(1,045)
883	Council Tax and Business Rates net	958
737	Rent allowances and rebates	856
421	Leaseholder rent arrears	562
880	Payments in advance	466
1,624	Other miscellaneous debtors	990
(425)	Less Impairment Allowance	(549)
3,237	Other net	2,325
7,881	Total	8,134

Notes to the Accounts

20. Cash and Cash Equivalents

Cash equivalents are investments and deposits maturing within three months of the date of the deposit.

The balance of Cash and Cash Equivalents is made up of the following elements:

At 31 March 2014 £'000		At 31 March 2015 £'000
3	Cash held by the Council	3
26	Bank Current Accounts	642
4,506	Short-term deposits	7,958
4,535	Total Cash and Cash equivalents	8,603

21. Creditors

At 31 March 2014 £'000		At 31 March 2015 £'000
1,370	Central government bodies	555
1,029	Other local authorities	981
6,191	Other entities and individuals	6,722
1,102	Receipts in advance	1,284
9,692	Total	9,542

'Other entities and individuals' includes amounts owing to suppliers of goods and services.

22. Other Long Term Liabilities and Provisions

22.1 Long Term Liabilities

The Council holds deposits for commercial premises. The long term portion of the deposits amounts to £159k and relates to leases expiring between 3 and 17 years from the Balance Sheet date.

Notes to the Accounts

22.2 Provisions

The business rates appeals provision has arisen because of the change to the business rates regime where the Council is now liable for its share of any business rates that are not collected. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the possibility of successful appeals. Changes to the provision are charged to the Collection Fund. The following table shows the movement in the Council's 40% share of the provision.

Provisions	Business Rate Appeals £'000
Balance at 1 April 2014	830
Additional provisions made	2,149
Amounts used	(474)
Balance at 31 March 2015	2,505

23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

24. Unusable Reserves

Unusable reserves arise from accounting entries not involving cash transactions and cannot therefore be used to fund future council activities. They include entries relating to the revaluation of buildings, depreciation and other timing differences between the accounting requirements of the Code and those of legislation.

2013/2014 Restated* £'000		2014/2015 £'000
167,743	Revaluation Reserve	229,013
185,723	Capital Adjustment Account	194,475
(44,566)	Pensions Reserve	(48,406)
151	Deferred Capital Receipts Reserve	166
(1,448)	Collection Fund Adjustment Account	(3,480)
307,603	Total Unusable Reserves	371,768

* For details of re-statement, see note 44.

Notes to the Accounts

24.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from the increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Accumulated gains arising before that date are consolidated into the Capital Adjustments Account.

2013/2014		2014/2015
Restated*		
£'000		£'000
91,720	Balance at 1 April	167,743
82,226	Upward revaluation of assets	68,553
(3,974)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(43)
78,252	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services	68,510
(1,456)	Difference between fair value depreciation and historical cost depreciation	(1,216)
(773)	Accumulated gains on assets sold or scrapped	(788)
(2,229)	Amount written off to the Capital Adjustment Account	(2,004)
167,743	Balance at 31 March	234,249

* For details of re-statement, see note 44.

Notes to the Accounts

24.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

24.2 continued

2013/14 Restated* £'000	Capital Adjustment Account	2014/15 £'000
171,762	Balance as At 1 April	185,723
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>	
(7,421)	Charges for depreciation and impairment of non current assets	(8,575)
210	Movements in the market value of Investment Properties debited or credited to the comprehensive Income and Expenditure Statement	(466)
13,820	Revaluation losses on Property, Plant and Equipment	3,913
(133)	Amortisation of Intangibles	(42)
(2,451)	Revenue expenditure funded from capital under statute	(1,573)
(13,303)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12,556)
(9,278)	Sub-total charges	(19,299)
1,456	Difference between fair value depreciation and historical cost	1,216
773	Accumulated gains on assets sold or scrapped	788
(7,049)	Net written out amount of the cost of non -current asset consumed in the year	(17,295)
	<i>Capital Financing applied in the year:</i>	
1,359	Use of the Capital Receipts Reserve to finance new capital expenditure	2,362
9,824	Use of Major Repairs Reserve to finance new capital expenditure	5,475
1,611	Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,338
509	Application of grants to capital financing from the Capital Grants Unapplied Account	821
4,332	Insurance receipt used to fund capital expenditure	-
429	Direct Revenue Financing	5,519
2,302	Housing debt repayment provision	3,500
644	Statutory provision for the financing of capital investment charged against the General Fund	796
21,010	Sub-total capital financing	20,811
185,723	Balance at 31 March	189,239

* For details of re-statement, see note 44.

Notes to the Accounts

24.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/2014 £'000	Pensions Reserve	2014/2015 £'000
(49,580)	Balance at 1 April	(44,566)
6,324	Remeasurements of the net defined benefit liability	(2,733)
(4,439)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,915)
3,129	Employer's pensions contributions and direct payments to pensioners payable in the year	2,808
(44,566)	Balance at 31 March	(48,406)

24.4 Deferred Capital Receipts Reserve

This amount represents the funding of advances made to external borrowers, for example mortgage loans. It is reduced annually as principal is repaid by the external borrowers.

2013/2014 £'000	Deferred Capital Receipts Reserve	2014/2015 £'000
167	Balance at 1 April	151
	- Capital Loan	30
	Capital Repaid	
(6)	Mortgages	(4)
(10)	Loan	(11)
151	Balance at 31 March	166

Notes to the Accounts

24.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/2014			Collection Fund Adjustment Account	2014/2015		
Council Tax £'000	Business Rates £'000	Total £'000		Council Tax £'000	Business Rates £'000	Total £'000
209	-	209	Balance at 1 April	239	(1,687)	(1,448)
30	(1,687)	(1,657)	Movement on account	66	(2,098)	(2,032)
239	(1,687)	(1,448)	Balance at 31 March	305	(3,785)	(3,480)

The movement on the account is the amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.

A positive amount indicates that tax collected during the year was higher than distributed to the preceptors and government and a negative figure that more was paid to the preceptors than collected. In both cases adjustments are made in subsequent years to pay or recover the under/over payments.

Notes to the Accounts

25. Cash Flow Statement – Adjustments for Non-cash Movements

2013/2014 Restated* £'000		2014/2015 £'000
	Non Cash Transactions	
(6,709)	Depreciation and impairments	4,656
133	Amortisations	42
1,310	Pension fund adjustments	1,106
13,304	Carrying amount of non-current assets sold	12,555
(8)	(Increase)/decrease in stock	(1)
(2,121)	(Increase)/decrease in debtors	194
762	(Decrease)/increase in provisions	2,390
(3,524)	(Decrease)/increase in creditors	482
3,147	Total non-cash movements	21,424

* For details of re-statement, see note 44.

The adjustment to the net deficit on the provision of services for non-cash movements is as follows:

26. Cash Flow Statement – Adjustments for Financing and Investing Activities

Adjustments for items included in the net deficit on the provision of services that are investing and financing activities are:

2013/2014 £'000		2014/2015 £'000
(5,533)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,389)
(5,610)	Capital grants credited to the surplus or deficit on the provision of services	(2,359)
(11,143)	Net adjustment	(7,748)

The net cash flow from operating activities for 2014/2015 includes interest received of £158k (2013/2014 £244k) and interest paid of £5,230k (2013/2014 £5,236k).

Notes to the Accounts

27. Cash Flow Statement – Investing Activities

2013/2014 £'000		2014/2015 £'000
(16,869)	Purchase of property, plant and equipment, investment property and intangible assets	(19,270)
(61,150)	Purchase of short-term and long-term investments	(101,150)
5,263	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,374
61,150	Proceeds from short-term and long term investments	106,150
6,451	Capital grants received	2,215
(13)	Capital grants repaid	-
285	Other capital cash income	-
(4,883)	Net cash flows from investing activities	(6,681)

28. Cash Flow Statement – Financing Activities

2013/2014 £'000		2014/2015 £'000
(1,000)	Repayment of Short-Term and Long-Term Borrowing	(3,500)
(238)	Council Tax and NNDR adjustments	(700)
(1,238)	Total cash flow from financing activities	(4,200)

Notes to the Accounts

29. Amounts Reported for Resource Allocation

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service reporting Code of Practice. However, decisions about resource allocation are taken by the Council’s Cabinet on the basis of budget reports analysed across services organised according to the management structure. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer’s pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to other services.

This enables budget managers to concentrate on controllable costs within their sphere of operations.

The income and expenditure of the Council’s principal services recorded in the budget reports for the year is as follows:

Income and Expenditure							
2014-15							
	Community Services £'000	Planning and Building Control £'000	Housing Services £'000	Legal, Democratic and Regulatory Services £'000	Finance and Internal Audit £'000	HR, Customer Services and IT £'000	Total £'000
Fees, charges & other service income	(5,312)	(1,579)	(28,885)	(4,210)	(276)	(73)	(40,335)
Government grants	(99)	(60)	(33,666)	(66)	(2,770)	-	(36,661)
Total Income	(5,411)	(1,639)	(62,551)	(4,276)	(3,046)	(73)	(76,996)
Employee expenses	2,635	2,398	3,310	2,465	1,685	1,628	14,121
Other operating expenses	10,880	801	40,357	3,157	452	1,292	56,939
Total Expenditure	13,515	3,199	43,667	5,622	2,137	2,920	71,060
Net (Income)/Expenditure	8,104	1,560	(18,884)	1,346	(909)	2,847	(5,936)

Notes to the Accounts

29. continued

The comparative figures for 2013/2014 are:

Income and Expenditure 2013-14							
	Community Services £'000	Planning and Building Control £'000	Housing Services £'000	Legal, Democratic and Regulatory Services £'000	Finance and Internal Audit £'000	HR, Customer Services and IT £'000	Total £'000
Fees, charges & other service income	(4,501)	(1,525)	(28,205)	(4,073)	(254)	(55)	(38,613)
Government grants	54	(55)	(33,179)	(13)	(1,986)	(7)	(35,186)
Total Income	(4,447)	(1,580)	(61,384)	(4,086)	(2,240)	(62)	(73,799)
Employee expenses	2,382	2,228	3,651	2,354	1,781	1,325	13,721
Other operating expenses	11,547	765	39,278	2,779	440	1,262	56,071
Total Expenditure	13,929	2,993	42,929	5,133	2,221	2,587	69,792
Net (Income)/Expenditure	9,482	1,413	(18,455)	1,047	(19)	2,525	(4,007)

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2013-2014 Restated* £000's		2014-2015 £000's
(4,007)	Net income in the Service analysis	(5,936)
1,947	Net expenditure of services and support services not included in the analysis	1,827
(6,431)	Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the analysis	4,711
(77)	Amounts included in the analysis not included in the Comprehensive Income & Expenditure Statement	(91)
(8,568)	Cost of Services in Comprehensive Income & Expenditure Statement	511

* For details of re-statement, see note 44.

Services not included in the main analysis are services that account for less than 10% of the total gross income or expenditure.

Amounts not reported to management are detailed in the reconciliation to the subjective analysis (various cost allocations) below and include the depreciation, impairment and revaluation of assets and support service recharges.

Notes to the Accounts

29. continued

Amounts included in the analysis but not in the Cl&E Cost of Services are included in the Cl&E Financing and Investment Income and Expenditure detailed in note 10 to the accounts.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

2014-2015								
	Service Analysis £'000	Services not in Main Analysis £'000	Not reported to Management £'000	Not included in COS in Cl&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000	Note
Fees, charges & other service income	(40,335)	(128)	-	2,538	(37,925)	(2,538)	(40,463)	
Service charges	-	-	(10,231)	-	(10,231)	-	(10,231)	
Interest and investment income	-	-	-	-	-	(115)	(115)	10
Other capital receipts and income	-	-	-	-	-	(163)	(163)	9
Income from council tax	-	-	-	-	-	(12,500)	(12,500)	11
Income from business rates	-	-	-	-	-	(1,411)	(1,411)	11
Government grants and contributions	(36,661)	(26)	-	-	(36,687)	(5,675)	(42,362)	35
Total Income	(76,996)	(154)	(10,231)	2,538	(84,843)	(22,402)	(107,245)	
Employee expenses	14,121	826	-	(532)	14,415	532	14,947	
Other service expenses	56,939	1,155	-	(1,684)	56,410	1,684	58,094	
Support Service recharges	-	-	10,227	(375)	9,852	375	10,227	
Revaluation gains, depreciation, amortisation and impairment	-	-	4,700	(38)	4,662	504	5,166	
Interest Payments	-	-	-	-	-	5,229	5,229	10
Pension adjustment	-	-	-	-	-	1,812	1,812	10
Precepts & Levies	-	-	-	-	-	2,288	2,288	9
Payments to Housing Capital	-	-	-	-	-	834	834	9
Receipts Pool	-	-	-	-	-	7,360	7,360	9
Gain or Loss on Disposal of Fixed Assets and derecognition of replaced asset components	-	-	-	-	-	-	-	
Non-Distributed Costs	-	-	15	-	15	-	15	
Total Operating Expenses	71,060	1,981	14,942	(2,629)	85,354	20,618	105,972	
(Surplus) or Deficit on the Provision of Services	(5,936)	1,827	4,711	(91)	511	(1,784)	(1,273)	

Corporate amounts are income and expenditure not allocated to Cost of Services and are shown in more detail in notes 9 to 11 of the Notes to the Accounts.

Notes to the Accounts

29. continued

2013-2014 (Restated*)								
	Service Analysis £'000	Services not in Main Analysis £'000	Not reported to Management £'000	Not included in COS in Cl&ES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000	Note
Fees, charges & other service income	(38,613)	(153)	-	2,415	(36,351)	(2,415)	(38,766)	
Service charges	-	-	(10,085)	-	(10,085)	-	(10,085)	
Interest and investment income	-	-	-	-	-	(169)	(169)	10
Other capital receipts and income	-	-	-	-	-	(313)	(313)	9
Income from council tax	-	-	-	-	-	(12,340)	(12,340)	11
Income from business rates	-	-	-	-	-	(1,744)	(1,744)	11
Government grants and contributions	(35,186)	(52)	-	-	(35,238)	(9,222)	(44,460)	35
Total Income	(73,799)	(205)	(10,085)	2,415	(81,674)	(26,203)	(107,877)	
Employee expenses	13,721	946	-	(455)	14,212	455	14,667	
Other service expenses	56,071	1,206	-	(1,553)	55,724	1,553	57,277	
Support Service recharges	-	-	9,989	(405)	9,584	405	9,989	
Revaluation gains, depreciation, amortisation and impairment	-	-	(6,335)	(79)	(6,414)	(161)	(6,575)	
Interest Payments	-	-	-	-	-	5,234	5,234	10
Pension adjustment	-	-	-	-	-	2,209	2,209	10
Precepts & Levies	-	-	-	-	-	2,259	2,259	9
Payments to Housing Capital	-	-	-	-	-	883	883	9
Receipts Pool	-	-	-	-	-	-	-	
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	8,085	8,085	9
Non-Distributed Costs	-	-	-	-	-	-	-	
Total Operating Expenses	69,792	2,152	3,654	(2,492)	73,106	20,922	94,028	
(Surplus) or Deficit on the Provision of Services	(4,007)	1,947	(6,431)	(77)	(8,568)	(5,281)	(13,849)	

* For details of re-statement, see note 44.

Notes to the Accounts

30. Trading Operations

The Council has the following trading operations:

- markets – the Council operates a street market in St Albans city centre in Wednesdays and Saturdays, with additional market days for Farmers and continental markets, and at Christmas.
- commercial premises – the Council owns various shops and business premises that are let on a commercial basis.
- parking enforcement – this covers on-street parking in the district. The service includes residents’ parking zones, and highway parking zones for shoppers, tourist and business visitors.

2013/2014 £'000	Trading Operations		2014/2015 £'000
(676)	Markets	Turnover	(770)
717		Expenditure	954
41		Deficit	184
(545)	Commercial Premises	Turnover	(587)
419		Expenditure	367
(126)		Surplus	(220)
(1,195)	Parking Enforcement	Turnover	(1,180)
1,358		Expenditure	1,307
163		Deficit	127
78	Net (Surplus)/Deficit on Trading Operations		91

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement in Financing and Investment income and Expenditure (see Note 10). The operations are included in the Council’s normal budget and budget monitoring processes but are also under additional scrutiny of the Council’s ‘commercial board’, set up to review operations of a commercial nature. There is on-going work to review income and expenditure of ‘commercial’ activities and changes to operations are made where appropriate.

An explanation of budget variances incurred in the markets and parking enforcement services is given in note 2 of the Explanatory Foreword note 2.

Notes to the Accounts

31. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

2013/2014 £000	Members' Allowances	2014/2015 £000
423	Allowances	419
-	Expenses	-
423	Total	419

32. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post Title	Notes	Salary, fees and allowances £'000	Benefits in kind £'000	Total Remuneration excluding pension contributions £'000	Employer's pension contribution £'000	Total Remuneration including pension contributions £'000
Chief Executive and Head of Policy and Partnerships	2014/15	100.0	-	100.0	29.1	129.1
	2013/14	100.0	-	100.0	28.4	128.4
Chief Finance Officer	2014/15	88.6	-	88.6	25.5	114.1
	2013/14	87.8	-	87.8	23.5	111.3
Head of Legal, Democratic Services and Regulatory Services	2014/15	90.0	-	90.0	22.0	112.0
	2013/14	73.6	-	73.6	20.7	94.3
Head of Housing	2014/15	69.2	-	69.2	20.2	89.4
	2013/14	69.7	2.3	72.0	19.0	91.0
Head of Community Services	2014/15	69.8	2.8	72.6	20.2	92.8
	2013/14	66.8	2.5	69.3	19.0	88.3
Head of Human Resources, Customer Services and IT	2014/15	69.6	-	69.6	20.2	89.8
	2013/14	67.0	-	67.0	19.0	86.0
Head of Planning and Building Control	2014/15	55.2	-	55.2	16.0	71.2
	2013/14	-	-	-	-	-
2014/15 Totals		542.4	2.8	545.2	153.2	698.4
2013/14 Totals		464.9	4.8	469.7	129.6	599.3

Note i: The Head of Planning and Building Control post was vacant for the year 2013/14 and was covered by a contracted consultant. An appointment to the post was made on 2nd June 2014 at an annualised salary of £64,470.

Notes to the Accounts

32. continued

The Council's other employees receiving more than £50k remuneration for the year (excluding pension contributions) were paid the following amounts:

2013/2014 Number ex. redundancies	2013/2014 Number inc. redundancies		2014/2015 Number ex. redundancies	2014/2015 Number inc. redundancies
		Remuneration		
7	7	£50,000 - £54,999	8	8
1	2	£55,000 - £59,999	1	1
-	-	£60,000 - £64,999	-	-
-	-	£65,000 - £69,999	-	1
-	1	£70,000 - £74,999	-	-
8	10	Total	9	10

33. Termination Benefits

The Council terminated the contracts of five employees in 2014/2015, incurring costs of £153k (£92k in 2013/2014). All redundancies were compulsory and the numbers of exit packages with total cost per band are set out in the table below.

Exit package cost (including special payments) £'000	Number of compulsory redundancies		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14 £'000	2014/15 £'000
£0 - £20	-	1	0.0	9.8
>£20 - £40	3	3	91.9	101.5
>£40 - £60	-	1	0.0	41.3
Total	3	5	91.9	152.6

Notes to the Accounts

34. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

2013/2014 £'000		2014/2015 £'000
79	Fees payable with regard to external audit services carried out by the appointed auditor for the current year	82
(6)	Refund of previous year's audit fee	(16)
1	Fees payable with regard to additional external audit services carried out by the appointed auditor for the prior year	2
22	Fees payable for the certification of grant claims and returns	38
96		106

Notes to the Accounts

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/2015

2013/2014 £'000	Grant Income	2014/2015 £'000
	Credited to Taxation and Non specific grant income	
3,316	Revenue support grant	2,642
296	Small Business Rate relief	673
4,332	Insurance receipts	-
1,277	Capital grants and contributions	2,360
9,221	Sub-Total	5,675
	Credited to services	
32,399	Rent Allowances & Benefits	32,888
90	Council tax benefits	41
529	Benefits Administration Grant	398
1,583	New Homes Bonus	2,362
198	Contribution to NDR costs	209
-	Council Tax support admin. Subsidy	106
53	Council Tax New Burdens grant	73
122	Council Tax Freeze grant	107
158	Supporting People Grant	188
1,851	Other contributions	315
36,983	Sub-Total	36,687
46,204	Total	42,362

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at the year-end are as follows:

31 March 2014 £'000	Capital Grants Received in Advance	31 March 2015 £'000
1,379	Section 106 advances	913
159	Other	225
1,538	Total Grants received in advance	1,138

Notes to the Accounts

36. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subject analysis in Note 29 on Reporting for Resources Allocation Decisions.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/2015 is shown in Note 31.

During 2014/2015 the following declarations were made:

Cllr Farmer was Chairman of Trustees for Druglink. Druglink run a coffee cart from the Civic Centre in St Albans city centre. Druglink are not charged for the space they occupy within the Civic Centre. The Council estimates that the cost of leasing a similar sized site within the city centre would be £4,500 per annum.

Cllr Harrison is involved with the Centre for Voluntary Services who received support from the council worth approximately £68k.

Cllr Ellis was a board member of Hightown Praetorian and Churches Housing Association. Grants with a total value of £232k were awarded to this organisation during 2014/2015. In addition to these grants, a housing asset with net book value of £140k was transferred to the Housing Association in 2014/2015 at nil consideration. In November 2013, the property had a market value of £460k.

Cllr Read was Director of St Albans City Centre Partnership. A grant of £25k was made to the organisation during 2014/2015.

There are 7 SADC Councillors who are also members of Harpenden Town Council. In 2014/2015 SADC transferred Harpenden Town Hall to Harpenden Town Council at nil consideration. This asset was held at zero netbook value following the granting of a 99 year lease in December 1994 for a consideration of £130k.

All transactions were properly approved in accordance with the Council's constitution. All Councillors register their pecuniary interests annually and these are located on the Council Website.

Notes to the Accounts

36. continued

Officers

During 2014/2015 there were no declarations of pecuniary interest by Council Officers in accordance with section 117 of the Local Government Act 1972.

Entities Controlled or Significantly Influenced by the Council

The Council manages Clarence Park, which has in part been set up as a charity, and is incorporated in the Council's accounts.

The Council has an agreement with five other Hertfordshire authorities for the running of the West Hertfordshire Crematorium through a Joint Committee. The Agreement provides for deficits to be met by the constituent councils but in practice the Crematorium meets its running costs from its own income, and builds up reserves where possible to meet future capital improvement costs. The Agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment – in 2014/15 the Council received £50k. The assets and liabilities of the Joint Committee are shared by the five Hertfordshire local authorities in ratio of their populations except that the Land and Building assets are vested in the local authority where the Crematorium is situated. The Council's share of the assets and liabilities and of the net income is immaterial to the accounts and has not been consolidated.

Notes to the Accounts

37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2013/2014 £'000	Capital financing Requirement	2014/2015 £'000
212,537	Opening Capital Financing Requirement	212,078
	Capital investment	
18,068	Property, Plant and Equipment	18,470
33	Intangible Assets	122
2,451	Revenue Expenditure funded from Capital under Statute	1,573
20,552		20,165
	Less Sources of Finance	
1,839	Capital Receipts	2,361
509	Government Grants	821
1,226	Third Party Contributions	1,782
4,333	Insurance receipts	-
9,824	Major Repairs Reserve	5,475
384	Leaseholders Recharge	555
417	Revenue contribution to capital general Fund	780
12	Revenue contribution to capital HRA	4,740
1,822	Voluntary revenue provision HRA	3,500
645	Minimum revenue provision General Fund	796
21,011		20,810
212,078	Closing Capital Financing Requirement	211,433

2013/2014 £'000	Explanation of movements in year	2014/2015 £'000
(459)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(645)
(459)	Increase/(decrease) in Capital Financing Requirement	(645)

Notes to the Accounts

38. Leases

Council as Lessee

The Council uses various office equipment financed using operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

2013/2014		2014/2015
£'000		£'000
18	Not later than one year	18
36	Later than one year and not later than five years	18
54		36

The Council has recognised £18k as an expense in the Comprehensive Income and Expenditure Statement in 2014/15.

Council as a Lessor

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

2013/2014		2014/2015
£'000		£'000
883	Not later than one year	878
2,403	Later than one year and not later than five years	2,856
3,589	Later than five years	4,091
6,875		7,825

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/2015 the rent receivable by the Council was £939k (2013/2014 £1,021k).

Notes to the Accounts

39. Defined Benefit Pension Scheme

Participation in the Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Scheme administered by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Hertfordshire County Council. Policy is determined in accordance with the Local Government Pension Scheme Regulations 2013. The Pensions Committee has appointed various investment fund managers and their performance is monitored by an Investment Sub-Committee.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

Notes to the Accounts

39. continued

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2013/14 £'000	Transactions Relating to Post Employment Benefits	2014/15 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
2,230	- Current Service Cost	2,087
-	- Past Service Costs (including curtailments)	15
	Financing and Investment Income and Expenditure	
2,209	Net Interest expense	1,812
4,439	Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services	3,914
	Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	
	Remeasurements of the net defined benefit liability comprising:	
(3,092)	Return on plan assets (excluding the amount included in the net interest expense)	(7,664)
(3,795)	Actuarial (gains) and losses arising from changes in demographic assumptions	-
6	Actuarial (gains) and losses arising from changes in financial assumptions	11,580
558	Experience (gain) and losses	(1,182)
(6,323)	Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	2,734
	Movement in Reserves Statement	
(4,439)	Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code	(3,914)
	Actual amount charged against the General Fund Balance for pensions in the year:	
3,130	Employers' Contributions payable to the scheme	2,808

Notes to the Accounts

39. continued

Pension Assets and Liabilities Recognised in the Balance Sheet

The following table shows the pension scheme assets, liabilities and net liability.

2013/14 £'000		2014/15 £'000
(121,864)	Present Value of the defined benefit obligation	(135,279)
77,298	Fair values of plan assets	86,873
(44,566)	Net liability arising from the defined benefit obligation	(48,406)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2013/14 £'000	Pension Scheme Assets	2014/15 £'000
72,327	Opening fair value of scheme assets at 1 April	77,298
3,223	Interest income	3,142
	Remeasurement gain/(loss):	
3,092	Return on plan assets, excluding the amount included in the net interest expense	7,664
3,130	Contributions from employer	2,808
576	Contributions from employees into the scheme	641
(5,050)	Benefits paid	(4,680)
77,298	Closing fair value of scheme assets at 31 March 2014	86,873

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2013/14 £'000	Pension Scheme Liabilities	2014/15 £'000
121,907	Opening balance at 1 April	121,864
2,230	Current Service Cost	2,087
5,432	Interest Cost	4,954
576	Contributions from scheme participants	641
	Remeasurement (gains)/losses:	
(3,795)	Actuarial gains and (losses) arising from changes in demographic assumptions	-
6	Actuarial gains and (losses) arising from changes in financial assumptions	11,580
558	Experience gain/(loss)	(1,182)
-	Past service costs	15
(5,050)	Benefits Paid	(4,680)
121,864	Closing balance 31 March 2014	135,279

Notes to the Accounts

39. continued

Local Government Pension Scheme assets comprised:

As at 31 March 2014			Asset Category	As at 31 March 2015		
Fair value of scheme assets				Fair value of scheme assets		
Quoted prices in active markets	Quoted prices not in active markets	Total		Quoted prices in active markets	Quoted prices not in active markets	Total
£'000	£'000	£'000		£'000	£'000	£'000
2,515	-	2,515	Cash and cash equivalents	2,291	-	2,291
-	-	-	Equity Instruments by industry type	-	-	-
7,784	-	7,784	Consumer	7,671	-	7,671
8,906	-	8,906	Manufacturing	9,087	-	9,087
3,434	-	3,434	Energy and utilities	2,508	-	2,508
8,395	-	8,395	Financial institutions	7,808	-	7,808
1,187	-	1,187	Health and care	1,288	-	1,288
5,436	-	5,436	Information technology	5,396	-	5,396
881	-	881	Other	641	-	641
-	-	-	Bonds	-	-	-
6,407	-	6,407	Corporate (investment grade)	-	-	-
4,762	-	4,762	UK government	-	-	-
1,636	-	1,636	Other	-	-	-
-	3,133	3,133	Private Equity	-	3,599	3,599
-	-	-	Property	-	-	-
-	2,993	2,993	UK property	-	-	-
-	1,698	1,698	Overseas property	-	-	-
-	-	-	Investment Funds and Unit Trusts	-	-	-
11,762	-	11,762	Equities	12,482	-	12,482
1,885	-	1,885	Bonds	23,172	-	23,172
328	-	328	Commodities	376	-	376
-	-	-	Infrastructure	-	78	78
4,089	-	4,089	Other	273	10,393	10,666
-	-	-	Derivatives	-	-	-
-	67	67	Foreign exchange	-	(188)	(188)
69,407	7,891	77,298	Totals	72,992	13,881	86,873

Notes to the Accounts

39. continued

Basis for Estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Hertfordshire County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries; estimates on the pension fund are based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

31 March 2014	Actuarial Assumptions	31 March 2015
	Long-term expected rate of return on assets in the scheme	
4.1%	Equity investments	3.1%
4.1%	Bonds	3.1%
4.1%	Property	3.1%
4.1%	Cash	3.1%
	Mortality assumptions	
	Longevity at 65 for current pensioners	
22.3	Men	22.3
24.5	Women	24.5
	Longevity at 65 for future pensioners	
24.3	Men	24.3
26.7	Women	26.7
	Financial assumptions	
4.1%	Rate of inflation	3.1%
3.9%	Rate of increase in salaries	3.5%
2.6%	Rate of increase in pensions	2.1%
4.1%	Rate for discounting scheme liabilities	3.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to the Accounts

39. Continued

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2015	Approximate % increase to employer liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	9%	12,408
1 year increase in member life expectancy	3%	4,058
0.5% increase in salary increase rate	2%	3,279
0.5% increase in the pension increase rate	7%	8,947

Impact on the Authority’s Cash Flows

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £49.58 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Contributions payable by the Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2013), or at any other time as instructed to do so by the Administering Authority.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated contribution to the scheme in 2015/2016 is £2,829k (2014/2015 is £2,611k).

The weighted average duration of the defined benefit obligation for scheme members at 31 March 2015 is 16.3 years (March 2014 16.3 years).

Notes to the Accounts

40. Contingent Liabilities

In 1992, Municipal Mutual Insurance (MMI), one of our insurers at the time, stopped accepting new business. MMI and its policy holders, including local authorities, have organised how the company can be closed if necessary. How much MMI owes cannot be worked out until all current and future claims have been settled. MMI may not have enough money to pay its debts in the future. If that is the case, MMI can claim back from its major policy holders part of the claims paid from 1 October 1993. The balance of un-provided claims MMI could ask for as at 31 March 2015 is £384k (31 March 2014 £384k).

Notes to the Accounts

41. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Central Treasury Team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Council. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £8,600k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all the Council's deposits, but there was no evidence at 31 March 2015 that this was likely to crystallise.

Customers for goods and services are assessed, taking into account their financial position, past experience, and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

Notes to the Accounts

41. continued

The Council generally allows its customers 14 days credit. Of the £1,451k (2013/2014 £2,325k) outstanding from customers, £1,299k (2013/2014 £1,928k) is past due and this is analysed by age as follows :

31 March 2014 £'000	Trade Debtors Ageing	31 March 2015 £'000
753	Less than 3 months overdue	491
851	3 to 6 months overdue	100
138	7 months to 1 year overdue	136
186	More than 1 year overdue	572
1,928		1,299

Receipts after 31 March relating to the balances above lead the Council to the opinion that adequate provision has been made for the impairment of trade debtors.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board.

The council borrowed £189.6 million in 2011/2012 in order to provide the funds to pay for the Housing Self Financing debt and existing Housing debt, taking the total housing debt to £191.1 million. In order to take account of low interest rates and favourable terms all borrowings were taken at fixed interest rates. The repayment of debt has been taken into account in the Housing 30 year business plan and it is considered that planned rental income is sufficient to repay debt when it becomes due. £4.5 million has so far been repaid on due date leaving a balance of £186.6 million owing at 31st March 2015.

The Council has not needed to borrow to fund General Fund capital expenditure.

There is therefore no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

Notes to the Accounts

41. continued

The maturity analysis of financial liabilities is as follows:

31 March 2014		Maturity Analysis of Financial Liabilities		31 March 2015	
£'000				£'000	
3,500	Less than one year			2,000	
2,000	Between one and two years			4,160	
19,160	Between two and five years			22,000	
52,000	Between five and ten years			59,000	
79,500	Between ten and fifteen years			84,500	
32,416	Between fifteen and twenty years			14,916	
1,500	More than twenty years			-	
190,076				186,576	

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate risk

The Council has a number of strategies for managing market risk, including interest rate risk. These include investing only with institutions having a high credit rating, limiting the amount of investment with any one institution and limiting investment periods to less than one year.

The average interest rate earned on investments during the year was 0.63% and if interest rates throughout the year had been 0.5% higher this would have increased the amount of interest earned on investments by £91k.

As mentioned above, all debt is at fixed interest rates ranging from 1.24% to 4.65% (for the longest term debt), with a weighted average rate of 2.77%.

The Council does not invest in quoted companies and it has no assets or liabilities in foreign currencies. Therefore, the Council has no exposure arising from movements in share prices or exchange rates.

Notes to the Accounts

42. Heritage Assets – Five Year Summary of Transactions

Information on heritage asset transactions has not been given for any period before 1st April 2010 as it is not considered practicable to do so.

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority	Exhibits	Silver	Civic Regalia	Cups and Trophies	Sculptures	War Memorials	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at:							
1 April 2010	3,860	657	43	600	34	-	5,194
31 March 2011	3,860	657	43	600	34	-	5,194
31 March 2012	3,860	657	43	600	34	-	5,194
Revaluation	105	-	-	-	-	263	368
Impairment Losses	-	(333)	-	(90)	-	-	(423)
31 March 2013	3,965	324	43	510	34	263	5,139
Revaluation	100	6	1	10	-	-	117
31 March 2014	4,065	330	44	520	34	263	5,256
Revaluation	(6)	4	1	-	2	123	124
31 March 2015	4,059	334	45	520	36	386	5,380

43. Heritage Assets – Further Information on the Museum's Collections

The City and District of St Albans is an area of outstanding historical and cultural heritage. The Council provides museum services through two accredited museums and also manages a number of historic properties.

The museums' collections consists of approximately 80,000 objects and specimens which range from fossils and archaeological remains to archives such as maps, prints drawings, photographs and ephemera associated with St Albans and its people.

The Council owns a number of properties of historic interest that are currently in use such as the old Town Hall. These are classified as operational assets and therefore held within Property Plant and Equipment.

The Council also owns non-operational Heritage Property Assets, including historical earthworks and exposed ruins. These assets have no intrinsic value but are held and maintained principally for their contribution to knowledge and culture.

Notes to the Accounts

43. continued

Preservation and Management

Acquisition and Disposal

The general statements of policy on acquisition and disposal are set out in St Albans Museums Collection Policy. They are those published by Arts Council England, formerly the Museums, Libraries & Archives Council on 4 April 2008. The Museums' governing body, the City & District of St Albans, have also adopted the ethical guidance issued by the Museums Association, the *Code of Ethics for Museums 2008*, and intends to adopt subsequent amendments.

Preservation and Management - Collections Care

St Albans Museums Service uses the Arts Council England (formerly Museum Libraries and Archive Council) Benchmarks in Collections Care as a top level performance management review tool for assessing its Collections Care and Conservation standards and to assist in developing its collections care and conservation programmes. The survey was first undertaken in 2009 and is reviewed annually as part of the Museum's Service Business planning.

The programme of remedial conservation work is guided by the requirements of the public programmes and the collection management action plans. A risk based approach is used to prioritise any conservation work for the collections that is not related to public programming priorities, primarily targeting objects with inherent vice that are not stable under the normal environmental conditions that prevail within the museum buildings e.g. archaeological metalwork. Other remedial conservation work takes the form of targeted conservation linked to the collection care action plan.

44. Prior Year Adjustment

The Council has made a voluntary change to its accounting policy in respect of the way it accounts for capital expenditure on existing assets. These asset additions do *not 'add value' to the asset because the assets have already been valued at the beginning of the financial year as if all components are in good condition.* In order to avoid double counting the replacement components, an equivalent value has to be removed from the valuation. In prior years this was done by 'impairing' the components, writing the value off to the CI&E and the Revaluation Reserve as appropriate. As a consequence of the Council reviewing and revising its asset components and their associated useful lives in 2014/15 it has taken the opportunity to better reflect the Code requirements in respect of the capitalisation of expenditure on replacing components, which requires that the carrying amount of the replaced components be written out of the Balance Sheet as a disposal (via Other Operating Expenditure (note 9)).

Where there is a change in accounting policy the Code requires disclosure of a prior period adjustment where the restated accounts should be cleared of the effects of the previous accounting policy, and balances and comparative transactions should be recalculated to apply the policy from the date when the income, expense, asset or liability was first recognised. The effect is summarised in the table overleaf.

Notes to the Accounts

44. continued

The Core and Supplementary Statement adjustments are summarised as follow:

Adjusted Statement and Line item 2013/14	Previously stated £'000	Adjustment £'000	Restated £'000
1 Movement in Reserves Statement			
General Fund Balance			
Surplus or (deficit) on the provision of services	(1,036)	(531)	(1,567)
Adjustments between accounting basis & funding basis under regulations (note 7)	1,891	531	2,422
Housing Revenue Account			
Surplus or (deficit) on the provision of services	20,121	(4,705)	15,416
Adjustments between accounting basis & funding basis under regulations (note 7)	(19,312)	4,705	(14,607)
Total Usable Reserves			-
Surplus or (deficit) on the provision of services	19,085	(5,236)	13,849
Adjustments between accounting basis & funding basis under regulations (note 7)	(13,985)	5,236	(8,749)
Unusable Reserves			
Other Comprehensive Income and Expenditure	79,340	5,236	84,576
Adjustments between accounting basis & funding basis under regulations (note 7)	13,985	(5,236)	8,749
Total Council Reserves			
Surplus or (deficit) on the provision of services	19,085	(5,236)	13,849
Other Comprehensive Income and expenditure	79,340	5,236	84,576
2 Comprehensive Income and Expenditure Statement			
Culture and Related Services gross expenditure	7,950	(160)	7,790
Environmental and Regulatory Services gross expenditure	8,868	(120)	8,748
Other Housing Services gross expenditure	2,878	(94)	2,784
Local Authority Housing (HRA) gross expenditure	24,510	(4,477)	20,033
Cost of Services gross expenditure	68,048	(4,851)	63,197
Other operating expenditure	827	10,087	10,914
Surplus on Provision of Services	(19,085)	5,236	(13,849)
Surplus on revaluation of property, plant and equipment assets	(73,016)	(5,236)	(78,252)
Other Comprehensive Income and Expenditure	(79,340)	(5,236)	(84,576)
3 Balance Sheet			
There are no changes to Balance Sheet Statement			
4 Cash Flow Statement			
Net surplus or (deficit) on the provision of services	19,085	(5,236)	13,849
Adjustment to net surplus or deficit on the provision of services for non-cash movements	(2,089)	5,236	3,147
5 HRA Income and Expenditure Statement			
Revaluation gains reversing prior year losses charged to the HRA	(15,765)	(4,477)	(20,242)
Write off of replaced asset components	-	9,182	9,182
(Surplus)/Deficit for the year on HRA services	(20,121)	4,705	(15,416)
6 Movement on the HRA Statement			
(Surplus)/Deficit for the year on HRA services	(20,121)	4,705	(15,416)
Transfer from the Capital Adjustment Account for the depreciation and impairment of dwellings	15,619	4,477	20,096
Write off of replaced asset components	-	(9,182)	(9,182)

HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2013/14 Restated* £'000	Housing Revenue Account Income and Expenditure Statement	2014/15 £'000
	Expenditure	
3,619	Repairs and Maintenance	4,258
4,980	Supervision and Management	4,846
219	Rents, Rates, Taxes and other charges	208
11,046	Depreciation and impairment of non-current assets	6,483
(20,242)	Revaluation gains reversing prior year losses charged to the HRA	(5,088)
53	Debt Management costs	49
116	Movement in the allowance for bad debts	224
(209)	Total Expenditure	10,980
	Income	
(25,769)	Dwelling rents	(26,601)
(1,125)	Non-dwelling rents	(1,130)
(594)	Charges for services and facilities	(583)
(211)	Contributions towards expenditure and other grants	(279)
(27,699)	Total Income	(28,593)
(27,908)	Net (Income)/Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(17,613)
220	HRA services' share of Corporate and Democratic Core	213
(27,688)	Net (Income)/Cost of HRA Services	(17,400)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure	
(2,022)	Gain on sale of HRA non-current assets	(2,133)
-	Change in fair value of Investment Property	5
9,182	Write-off of replaced asset components	9,216
5,232	Interest payable and similar charges	5,226
(159)	Interest and investment income	(67)
352	Net interest on the net defined benefit liability	281
(313)	Capital grants, contributions and other receipts	(920)
(15,416)	(Surplus)/Deficit for the year on HRA services	(5,792)

* For details of re-statement, see note 44.

Movement on the HRA Statement

The HRA Income and Expenditure Account show the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to account for its statutory housing activity on a different accounting basis, the main differences being:

- The gain or loss on the disposal of HRA assets has to be reversed; and
- Any impairment on HRA dwellings, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

2013/14 Restated* £'000	Movement on the Housing Revenue Account Statement	2014/15 £'000
(2,758)	Balance on the HRA at the end of the previous year	(3,367)
(15,416)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(5,792)
	Adjustments between accounting basis and funding basis under statute	
20,096	Transfer from the Capital Adjustment Account for the depreciation and impairment of dwellings	4,460
1,822	Transfer to the Capital Adjustment Account for debt repayment provision	3,500
(607)	Transfer to the Capital Adjustment Account for Revenue expenditure funded from capital under statute	(665)
(48)	Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(35)
12	Revenue contribution to capital	4,740
2,023	Gain on sale of HRA non-current assets	2,133
(9,182)	Write-off of replaced asset components	(9,216)
384	Capital grants and Contributions Applied	835
313	Other Capital Receipts	85
(206)	HRA share of contributions to or from the Pensions	(169)
(809)	Net (increase) or decrease before transfers to or from reserves	(124)
200	Transfers to or (from) reserves	215
(609)	(Increase)/decrease in year on the HRA	91
(3,367)	Balance on the HRA at the end of the current year	(3,276)

* For details of re-statement, see note 44.

Housing Revenue Account – Notes to the Accounts

H1. Analysis and Value of the Housing Stock

a) Number and types of dwelling in the housing stock

The Council was responsible for managing 4,980 dwellings as at 31 March 2015 as follows:

31 March 2014	Number of Dwellings by Type	31 March 2015
	One bedroom dwellings	
326	- Houses and Bungalows	326
1,192	- Flats	1,167
	Two bedroom dwellings	
523	- Houses and Bungalows	520
865	- Flats	864
	Three bedroom dwellings	
1,927	- Houses and Bungalows	1,913
28	- Flats	29
	Four or more bedroom dwellings	
92	- Houses and Bungalows	92
71	Multi-occupied dwellings	69
5,024		4,980

On 31 March 2015, 2% (2014 2.1%) of lettable properties were vacant.

The change in stock can be summarised as follows:

2013/2014	Dwelling Stock Reconciliation	2014/2015
5,118	Stock at 1 April	5,024
(37)	Less: Right to buy sales	(27)
3	Purchases	9
(60)	Reclassifications and other disposals	(26)
5,024	Stock at 31 March	4,980

Housing Revenue Account – Notes to the Accounts

H1 continued

b) Balance Sheet Values

HRA dwellings are valued using the Beacon basis whereby all properties are linked to a set of 'beacon' properties and valued in line with the change in average value of the 'beacons'. Beacon properties were revalued 1st April 2014. The valuation is at 'Economic Use Value' reduced by multiplying by a factor to reflect social housing tenancies. The factor is set by central government and is 35% in 2014/2015 (35% in 2013/2014).

31 March 2014 £'000	Housing land,dwellings and other property	31 March 2015 £'000
413,564	Dwellings	447,010
18,682	Other land and buildings	18,598
4,394	Garages	4,909
2,305	HRA shops	2,753
12	Vehicles, Plant and Equipment	10
65	Assets under construction	887
439,022	Total property plant and equipment	474,167
399	Investment Properties	394
350	Assets Held for Sale	351
439,771	Total land, dwellings and other property	474,912

c) Vacant Possession Value

The Vacant Possession Value is the Council's estimate of the total sum that it would receive if all the dwellings were sold on the open market, whereas the Balance Sheet Value is calculated on the basis of rents receivable on existing tenancies. Rents receivable are less than the rent that would be obtainable on the open market and therefore the Balance Sheet Value is lower than the Vacant Possession Valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

At 31 March 2014 £'000	Vacant Possession Value	At 31 March 2015 £'000
1,122,301	HRA Dwellings	1,225,513

Housing Revenue Account – Notes to the Accounts

H2. Major Repairs Reserve

Authorities are required by the Accounts and Audit (England) Regulations 2011 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. The movement in the reserve was as follows:

2013/2014 £'000	Major Repairs Reserve	2014/2015 £'000
(2,469)	Opening Balance 1 April	(3,645)
	Transfer to Reserve in year	
(10,876)	Depreciation Dwellings	(5,730)
(117)	Depreciation Non-Dwellings	(127)
(7)	Other depreciation	(8)
(11,000)	Sub-total	(5,865)
9,824	Used to fund capital expenditure in year	5,475
(3,645)	Closing Balance at 31 March	(4,035)

Housing Revenue Account – Notes to the Accounts

H3. Capital Expenditure

- a) HRA Capital expenditure consists mainly of expenditure on the improvement of Council dwellings as shown in the following table:

2013/2014 £'000	Categories of Capital Expenditure	2014/2015 £'000
2,548	Kitchens and bathrooms	2,648
1,709	External walls and roofing	1,486
1,586	Windows and doors	1,100
2,186	Heating, wiring and plumbing	2,367
611	Property Purchases	1,829
495	Disabled Adaptations	552
525	Other	945
9,660	Council Dwellings Additions	10,927
302	Other land and buildings	119
485	Disabled Facilities Grants	632
410	Social Housing Development	1,121
716	Other capital expenditure	708
11,573	Total Capital Expenditure	13,507

- b) This was financed as follows:

2013/2014 £'000	Financing of Capital Expenditure	2014/2015 £'000
9,824	Major Repairs Reserve	5,475
-	Revenue Contribution	4,740
1,326	Capital Receipts Reserve	2,215
423	Grants and contributions	1,077
11,573	Total Capital Funding	13,507

- c) The Council has capital contract commitments as at 31 March 2015 of £830k relating to Housing Investment Programme schemes.

Housing Revenue Account – Notes to the Accounts

H4. Capital Receipts

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations, the Council pays a proportion of capital receipts from the disposal of housing assets to the National Pool. In 2014/2015 £834k (£891k 2013/14) was paid by the Council, which represents 21% (16% 2013/14) of the capital receipts subject to pooling.

The number of Council property sales was 27 (37 in 2013/2014). The following table is a summary of the capital receipts from disposals of land, houses and other property within the Council's HRA during the financial year.

2013/2014 £'000	Capital Receipts	2014/2015 £'000
5,206	House sales (subject to pooling)	4,048
42	Land sales	-
179	Other poolable receipts	-
98	Non-poolable receipts	1,174
5,525	Gross capital receipts	5,222
48	Less Costs	35
Payable to National Pool		
(891)	For current year	(834)
8	For prior year	-
4,690	Retained Capital Receipts	4,423

The Housing Capital receipt balance on 31 March 2015 was £15,133k (2014 £12,991k). £4,174k of this has been retained on condition that it will be spent on the provision of new affordable housing and the Council has plans in place to meet this condition.

Housing Revenue Account – Notes to the Accounts

H5. Depreciation

For Council dwellings land and buildings are split on a 33:67 basis. Land is not depreciated. Depreciation is on a straight line basis over the following periods:

- Structure: 100 years
- Roof: 70 years
- Windows: 30 years
- Internal components: 15 to 40 years

2013/2014 £'000	Depreciation	2014/2015 £'000
10,722	Dwellings	5,647
154	Multi Occupancy Properties	83
7	Equipment, Vehicles and Intangibles	8
117	Garages	127
11,000	Total Depreciation Charged to the HRA	5,865

A review of HRA Asset Components during 2014/15 resulted in the categorisation of properties by type before components are assigned and valued. This change in accounting estimate resulted in a lower depreciation charge than 2013/14.

Housing Revenue Account – Notes to the Accounts

H6. Impairment

The HRA has had a revaluation gain from rising property values of over £5 million 2014/15 (£20 million in 2013/14) relating to prior year impairments that were charged to the HRA. Under accounting rules this has been reversed as a credit to the HRA.

The redevelopment of Thomas Sparrow House was part completed as at 31st March 2015.

2013/2014 £'000	Revaluation and Impairment	2014/2015 £'000
10	Redevelopment	623
(6)	Investment Properties	5
137	Fire Damaged Properties	-
(95)	Shops and Garages	(5)
46	Revaluation and Impairment charged to the HRA	623

2013/2014 Restated* £'000	Transfers to the Capital Adjustment Account	2014/2015 £'000
(20,233)	Reversal of prior year impairments	(5,088)
137	Fire damaged properties	-
-	- Redevelopment of property	623
-	- Investment Properties	5
(20,096)	Transfer from the CAA to the Movement on the HRA	(4,460)

* For details of re-statement, see note 44.

Housing Revenue Account – Notes to the Accounts

H7. Pension Costs

The following table shows the charges to the HRA, in accordance with IAS 19, to give the 'Net charge to the HRA' required by the Code. The adjustment in the 'Movement in HRA Reserves Statement' is then shown to arrive at the amount charged against the HRA balance as required by statute, which is the employers' contributions actually paid into the scheme.

Full details of the pension costs for the whole Council are included within Note 39 to the Core Financial Statements.

2013/2014 £'000	Pension Costs	2014/2015 £'000
	Net Cost of Services:	
356	- Current Service Cost	297
	Net Operating Expenditure:	
352	- Net Interest expense	281
708	Net charge to the HRA	578
	Amounts to be met from Government Grants and Local	
(206)	- Movement on pensions reserve	(169)
	Actual amount charged against Council tax for pensions in the year:	
502	Employers' contributions payable to the scheme	409

Housing Revenue Account – Notes to the Accounts

H8. Rent Arrears and Bad Debts

a) Arrears – amounts outstanding from Council Tenants

2013/2014 £'000	Council Tenant Rent Arrears	2014/2015 £'000
1,111	Arrears at 31 March	1,045
4.4%	Rent arrears as a percentage of gross rent income	4.0%

b) Bad Debts – provision for non-payment of rents

2013/2014 £'000	Bad Debt Provision	2014/2015 £'000
277	Bad debts provision at 1 April	345
(47)	Debts written off in the year	(194)
115	Increase/(decrease) in provision	224
345	Bad debt provision at 31 March	375

H9. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. In 2014/2015, 50% (2013/2014 51.1%) of the Council's rents receivable were by way of benefits. Rent rebates are chargeable to the General Fund and reclaimed from Central Government by way of a Housing Benefit grant.

H10. Revenue expenditure funded from capital under statute

An amount of £80k has been credited (2013/2014 £68k charge) to the HRA cost of services being the net of the cost of capital expenditure chargeable to leaseholders and the amount invoiced to leaseholders. This has been reversed out to the Capital Adjustment Account in the Movement on the HRA Statement. The charge or credit arises due to a timing difference between the work being completed and invoiced.

Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of the Council Tax and Business Rates.

2013/2014			Collection Fund Income and Expenditure	2014/2015			
Business Rates	Council Tax	Total	Account	Business Rates	Council Tax	Total	
£'000	£'000	£'000	Note	£'000	£'000	£'000	
			Income				
-	(88,153)	(88,153)	Council tax receivable	C1	-	(89,228)	(89,228)
(60,863)	-	(60,863)	Business rates receivable	C2	(62,947)	-	(62,947)
134	-	134	Less Transitional payment protection payable		301	-	301
(60,729)	(88,153)	(148,882)	Total Income		(62,646)	(89,228)	(151,874)
			Expenditure				
			Precepts, Demands and shares:				
6,239	65,610	71,849	Hertfordshire County Council		6,211	66,161	72,372
-	8,668	8,668	Police and Crime Commissioner for Hertfordshire		-	8,741	8,741
24,954	12,127	37,081	St Albans District Council (including Parishes)		24,843	12,239	37,082
31,193	-	31,193	Central Government		31,054	-	31,054
			Charges to Collection Fund				
198	-	198	Costs of collection		197	-	197
73	188	261	Write-offs of uncollectable amounts		114	187	301
214	51	265	Allowance for impairment		47	44	91
2,076	-	2,076	Provision for appeals		5,374	-	5,374
-	1,305	1,305	Contributions towards previous year's estimated Collection Fund surplus	C3	51	1,390	1,441
64,947	87,949	152,896	Total Expenditure		67,891	88,762	156,653
4,218	(204)	4,014	Movement on Fund balance		5,245	(466)	4,779
-	(1,495)	(1,495)	Balance at 1 April brought forward		4,218	(1,699)	2,519
4,218	(1,699)	2,519	Balance at 31 March carried forward	C3	9,463	(2,165)	7,298
			Shares of balance				
422	(1,289)	(867)	Hertfordshire County Council		946	(1,642)	(696)
-	(171)	(171)	Police and Crime Commissioner for Hertfordshire		-	(218)	(218)
1,687	(239)	1,448	St Albans District Council (included in reserves)		3,785	(305)	3,480
2,109	-	2,109	Central Government		4,732	-	4,732
4,218	(1,699)	2,519	Total carried forward		9,463	(2,165)	7,298

Collection Fund – Notes to the Accounts

C1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands.

The amount of Council Tax is estimated by calculating the amount of income required to be taken from the Collection Fund by the precepting authorities (Hertfordshire County Council, the Police and Crime Commissioner for Hertfordshire, Parish Councils and the Council) for the forthcoming year to meet their service requirements. Individual charges are calculated by dividing this total by the Council Tax base (the total number of properties in each band adjusted by a ratio to convert the number to a band D equivalent and adjusted for discounts).

Taxes for other bands are derived by applying the ratios in the following table to the band D tax.

Band	Property Value	Number of dwellings	Ratios	Band D equivalents
A	up to £40,000	640	0.67	429
B	between £40,001 and £52,000	2,251	0.78	1,756
C	between £52,001 and £68,000	7,378	0.89	6,566
D	between £68,001 and £88,000	13,385	1.00	13,385
E	between £88,001 and £120,000	10,909	1.22	13,309
F	between £120,001 and £160,000	7,905	1.44	11,383
G	between £160,001 and £320,000	6,560	1.67	10,955
H	over £320,000	1,065	2.00	2,130
		50,093		59,913
	Less adjustment for non-collection (1.3%)			(779)
	Council Tax Base for 2014/2015			59,134
	Council Tax Base for 2013/2014			58,642

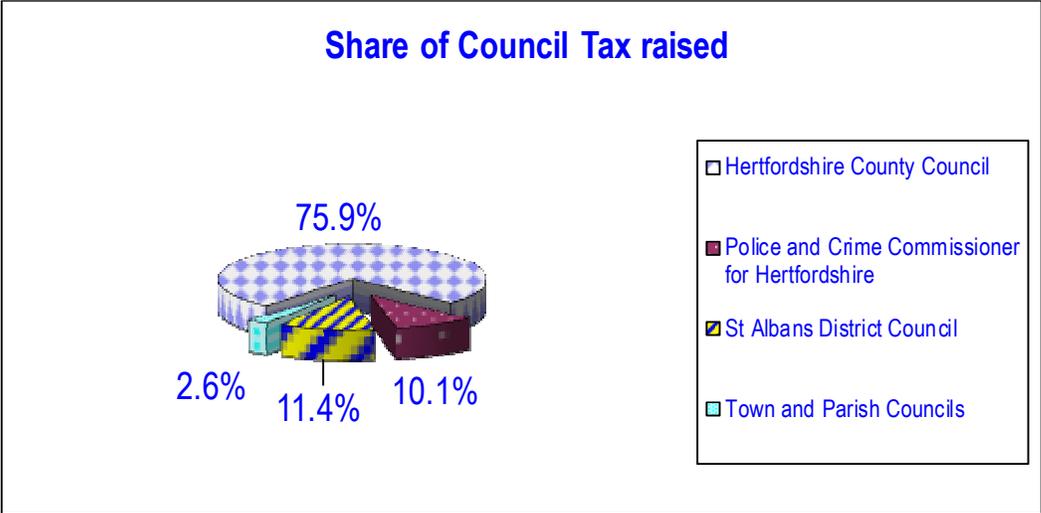
Council Tax Levy at Band D by Precepting Council:

2013/2014	Council Tax Levy at Band D	2014/2015
£1,118.83	- Hertfordshire County Council	£1,118.83
£147.82	- Police and Crime Commissioner for Hertfordshire	£147.82
£168.28	- St Albans District Council	£168.28
£38.52	- Town and Parish Councils	£38.69
£1,473.45	Average Council tax Levy at Band D	£1,473.62

Collection Fund – Notes to the Accounts

C1 continued

The following graph shows how the council tax collected is distributed between the various preceptors with Hertfordshire County Council receiving over three quarters of the total.



C2. Income From Business Rates

Under the Business Rates Retention local authorities retain 50% of the business rates collected for the area and pay the remaining 50% to central government. The percentages retained in the area are St Albans City and District Council 40% and Hertfordshire County Council 10%. In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding), which in our case was £23,071,542 (2013/2014 £22,631,000).

The Government has also stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. St Albans City and District Council qualified for this safety net payment and expects to be refunded £1,717,000 (2013/2014 £1,108,000) from central government in 2015/2016. This has been accrued as income in the 2014/2015 accounts.

The following table shows additional information required to be disclosed relating to Business rates;

Collection Fund – Notes to the Accounts

C2. continued

2013/2014		Business Rate Factors	2014/2015	
£	153,185,293	Rateable value at 31 March as notified by the Valuation Office Agency	£	152,775,344
	47.1p	Business Rate multiplier		48.2p
	46.2p	Small business rate multiplier		47.1p

C3. Contributions to Previous Year's Estimated Collection Fund Surpluses and Deficits

The following table shows the distribution of the prior year's estimated surplus. As Business Rates Retention was only introduced from 1st April 2013, there were no contributions to previous year's estimated surpluses or deficits in 2013/14.

2013/2014			Precepting Authorities	2014/2015		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
-	991	991	Hertfordshire County Council	5	1,054	1,059
-	132	132	Police and Crime Commissioner for Hertfordshire	-	140	140
-	182	182	St Albans District Council	20	196	216
-	-	-	Central Government	26	-	26
-	1,305	1,305	Total surplus/deficit	51	1,390	1,441

The surplus/deficit arising on the Collection Fund will be distributed/recovered in accordance with legislation.

Annual Governance Statement

ST ALBANS CITY AND DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2014-15

Scope of responsibility

St Albans City and District Council (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper governance of its affairs, the effective exercise of its functions and carefully managing risk.

This Annual Governance Statement explains how the Council has governed itself and also how it met the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of such a statement.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled. This includes the activities through which it engages with, leads and accounts to the community. It enables the Authority to monitor the achievement of its strategic objectives of appropriate, cost effective services and activities in line with its policy and budget framework.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is a process designed to identify and prioritise the risks to the achievement of the Council's policies and priorities. Its aim is to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them economically, efficiently and effectively.

The financial management arrangements for the Authority and the role of the S151 Officer, who is the Deputy Chief Executive (Finance), are detailed below as appropriate.

The governance framework described in this statement has been in place at St Albans City and District Council for the year ended 31 March, 2015 and up to the date of approval of the statement of accounts.

Annual Governance Statement

The Council's governance arrangements

St Albans City and District Council has a clear statement of its purpose and vision and what it intends to deliver for citizens and service users. They are implemented through the corporate and service planning processes of the Council.

The vision and priorities of the Council are reviewed annually. A refreshed corporate plan for the year ended 31 March 2015 was presented to and approved by Cabinet and Council in November 2013 and December 2013 respectively.

The Council's priorities provide the basis for the organisation's corporate, budget and service planning. All decision making takes account of the vision and priorities – reports to Councillors always refer to them and how a particular issue will have an effect on them. Residents are made aware of them through reporting in the Council's quarterly news sheet (Community News), posters, leaflets and the Council website. They are promoted internally through new staff and councillor induction and staff briefings at team and organisational levels.

The priorities of the Council provide a framework within which service delivery is carried out. The quality of Council services is measured and reviewed through performance indicators which are reported to the Council's Cabinet, its Internal Performance Scrutiny Committee and the Chief Executive's Board. A priority project tracker is used to monitor progress on the key priorities and the Council have increased the time/resource spent on project management.

Service levels and quality are also monitored more generally through the Authority's complaints' procedure; comments and compliments; feedback from Councillors and service planning/reviewing (internal service reviews and scrutiny reviews). Contracts and service level agreements are set in place with organisations which provide services on behalf of the Council. Arrangements are in place to monitor contracts and service levels at member and officer level.

Running the Council is a joint endeavour. The Council's policy is decided by Councillors (members), with advice from Officers, based on elected members' community leadership and representation of the District's needs. The Council's strategies, setting out how those policies should be enacted, are developed by members and officers working in partnership.

The Council sets the Budget and Corporate Plan, before February each year. Operational management of the Council, based upon its strategies, is undertaken by Officers, in consultation with the relevant Councillors.

The Constitution includes financial regulations and a scheme of delegation which defines financial decision making. These are regularly updated.

Annual Governance Statement

Changes to the annual budget agreed by Council can be made as follows:

Less than £25,000	by a Head of Service following notification to the Deputy Chief Executive (Finance) and the appropriate Portfolio Holder where these exceed £1,000
Between £25,000 and £50,000	by the Portfolio Holder
Between £50,001 and £100,000	By Cabinet
Above £100,000	by Council

Detail about roles and responsibilities of Councillors and Officers and the split between executive functions which are exercised by Cabinet members and non-executive functions is given in the Constitution. Also, detail about Officer roles is given in job descriptions, which are used in performance management of the individuals involved. In particular, the scheme of delegation, reserve powers and schedule of matters reserved for collective decision, are all set out in the Constitution.

Decision making in St Albans is a process that involves the consideration and reflection of appropriate legal and financial advice, either regarding a specific decision, or by means of the constitutional frameworks described above.

Within the Council's operations there is a specific approach to key and significant decisions. A key decision is defined as one which:

- (a) will result in expenditure or savings which are significant in relation to the budget of the service concerned; or
- (b) has a significant impact on people living or working in two or more wards.

There will however be some operational matters/decisions which do not meet the definition of "key", but where there is a high public profile or significant political dimension. These are called significant decisions and are recorded and published.

The role of scrutiny is set out fully in the Constitution and supporting documentation. Training is given to staff and Councillors, as necessary and relevant, on scrutiny roles and responsibilities.

There are two Scrutiny Committees which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. Scrutiny Committees also monitor the decisions of the executive. They can 'call-in' a key decision which has been made, but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet or other decision taker reconsider the decision. They may also be consulted by the Cabinet or Council on forthcoming decisions and the development of policy. The Scrutiny Committees may convene working parties to assist them in their workload.

Annual Governance Statement

In July 2010 the Council resolved to draw up and adopt executive arrangements providing for a Leader and Cabinet Executive. These arrangements came into effect in May 2011.

The Councillor/Officer relationship is subject to a protocol which is distributed to all Councillors and staff and is the subject of induction training. This is set out in the Constitution. Behaviour is subject to the Officers' Code of Conduct. Performance of Councillors is subject to the Members' Code of Conduct. There is also a complaints procedure for concerns about Councillors.

The Authority has procedures and policies in place for monitoring contracts and procurement, whistle blowing, anti-fraud, bribery and anti-corruption. Contracts over £250,000 are monitored in relation to contract procedures by the Audit Committee. The Council adheres to the CIPFA code on Fraud and Corruption.

The Council's complaints procedure ensures that service users and citizens are able to seek redress if they are dissatisfied with the Council. The procedure is publicised through a leaflet and on the Council's website. There is a Complaints' Monitoring Officer in each Council department. Complaints and compliments figures are reported regularly to the Council's senior managers and Overview and Scrutiny committees. There is a corporate database in place for consistent recording of complaints and monitoring to identify and address recurring complaints.

The Authority has systems and processes in place to ensure that staff and Councillors are supported in their work. When people join the Authority, induction programmes are provided, for both Officers and Councillors. Through appraisal and the Authority's training and development planning processes, Officers are offered training and support to ensure the skills for their roles are current. Training is tailored to individual roles and responsibilities.

Training is also offered to Councillors as relevant to their roles (licensing, planning, audit, standards, media awareness etc.), in face to face or in group settings. Electronic copies of training (PowerPoint or video) are made available to Councillors should they be unable to attend a course. All Councillors are offered training and yearly updated information on the Constitution, the structure and workings of the Council, roles and responsibilities and the Members' Code of Conduct. All Councillors are offered the opportunity to attend conferences and seminars on individual areas of special interest or responsibility. All Councillors have access to the Members' area on the Local Government Association and New Local Government Network (NLGN) websites. All Councillors also have access to the Council's Members' Microsite which contains information on training opportunities, news items, and other information on developments across the Council and District. The Council's annual elected member training programme is updated and communicated to Councillors via the Council's monthly Member Information Bulletin and through regular email updates. Councillors are offered personal development planning and they are regularly asked to identify any training needs they might have. This has helped the Council to achieve Elected Member Development Charter status.

Annual Governance Statement

When Councillors are elected to the Authority, they are assigned a Head of Service “buddy”. The buddy helps them navigate through the organisation and can give advice and support on any aspect of the Councillor role.

The Council has linked achievement of key targets as set out in the Corporate Plan to appraisal targets for all staff. A management competency framework to provide clarity and consistency for management and leadership standards across the Council is in place. This includes arrangements for mentoring and coaching as part of core management skills.

The Council communicates information to the public through a variety of mechanisms including the following – Corporate Plan and Budget Strategy, a quarterly ‘Community News incorporating Recycling News’ publication (which once a year includes details of how Council Tax is calculated and spent), websites, service and issue based leaflets and a proactive and reactive media service. The Council also communicates notices of key decisions and of intention to hold any meeting in private, as required under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

The Council’s default position is that committee, working party or task and finish group meetings should be held in public. Public access will only be restricted if there is a good reason, e.g. if matters of commercial sensitivity are to be discussed. Currently the public part of Planning, Full Council, Cabinet, Audit and Overview and Scrutiny Committee meetings are webcast to enable the public to view these remotely. Since January 2014 reports produced by Internal Audit are presented in the public part of the Audit meeting.

Mechanisms for liaison, consultation and communication with local areas have been set up as part of the Council’s review of democratic arrangements, namely the St Albans City Neighbourhoods Committee and a biannual conference for the District’s Parish Councils. Through this close liaison with parishes, the Council has been able to transfer a number of assets to Town and Parish Councils. Other area and topic specific meetings for parks/leisure and specific services, such as the Council’s housing, ensure that service users are consulted and informed.

Individual service departments have their own approaches to consultation and engagement with users. The planning function’s approach to consultation and communication is set out in its statement of community involvement. In particular, this details the approach the Council is using in its Strategic Plan process. Housing initiatives have included participation by tenants on evaluation panels for bids such as renewal of bathrooms and kitchens. Leisure customers’ feedback is encouraged and reviewed integrally to the Council’s contract process with its service providers.

Efforts are made by the Council to ensure that the Authority as a whole is open and accessible to the community, service users and its staff. Through its Constitution, publication scheme, Freedom of Information responsibilities and cultivation of a culture of openness, information is made available to the public and others who have a right to see it. There is a presumption of openness unless there is a proper and appropriate need to protect commercial confidentiality, personal data or for legal reasons.

Annual Governance Statement

Staff and their representatives are involved in decision making through a number of processes. Regular and consistent involvement of Unison is a formal mechanism for staff involvement. Regular internal communication and consultation activity around major issues and decisions also takes place.

The Council endeavours to ensure that arrangements in place for partnership working are sound. The Council is the lead organisation of the St Albans District Strategic Partnership. The Strategic Partnership (SP) is a voluntary, rather than statutory partnership. The SP regularly reviews its function, structure and working arrangements. Currently, the Executive Leader of the District Council is the chair, supported by vice chairs from the voluntary and business sectors. Induction briefings are offered to all new members of the SP and an annual planning meeting shapes the work plan for the coming year. Accountability to the community is ensured through the annual Community Conference which has over 100 delegates each year. This is an opportunity for the SP to report progress against the Sustainable Community Strategy and to listen to emerging issues from community representatives to shape the work plan further.

Thematic partnerships, such as the statutory Community Safety Partnership ('CSP') have terms of reference which refer to the responsibilities of the partnership and individual members. The CSP has been assessed by the Council's External Auditor as being of a very high standard and continues to operate effectively.

With regards to Internal Audit, the Chair of the Audit Committee and the Internal Audit Manager have access to one another and are able to meet with or without others being present. This enhances the independence of Internal Audit. Furthermore:

- Internal Audit operates a risk based process to decide which areas to audit;
- The Internal Audit Manager is the Chair of the Council's Anti-Fraud Group;
- Management receives draft Internal Audit reports which are discussed with them and recommendations agreed;
- The Internal Audit Manager is empowered (in the Terms of Reference for Internal Audit) to seek a meeting with the Chair of the Audit Committee, should he feel the need to do so;
- All final Internal Audit reports issued in 2014-15 were submitted to the Audit Committee for consideration. Members have asked questions to the Internal Audit Manager and Officers about the contents of these reports.
- The Audit Committee monitor the progress made by departments in implementing Internal Audit recommendations.
- The Internal Audit Manager has regular one to one meetings with the Deputy Chief Executive (Finance) and the Chief Executive where issues around (amongst others) risk management, corporate governance and health and safety are discussed.

Annual Governance Statement

The Council will ensure that sufficient capacity is available to fully deliver its Internal Audit plan on a timely basis and the Internal Audit Manager has put in place appropriate processes to ensure that the work undertaken by the section is in accordance with the Public Sector Internal Audit Standards 2013.

Review of effectiveness

St Albans City and District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal audit.

The annual processes applied in maintaining the effectiveness of the governance framework are as follows:

- review of executive decision making (by the Standards Committee);
- review of terms of reference of Committees;
- review of Internal Audit activity (by the Audit Committee) – more information on this is given below;
- action planning as a result of internal and external review processes;
- Annual reporting to the Council, on overall and specific functions including Overview and Scrutiny.

Regulation 6 of the Accounts and Audit (England) Regulations 2011 requires Local Authorities to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the Authority (here the Audit Committee) or by the Authority as a whole.

The review of effectiveness is not solely about the Internal Audit Department, but about the whole system of internal audit. The review is undertaken by assessing:

- the Internal Audit Department against the requirements of the Public Sector Internal Audit Standards 2013;
- the performance of the Audit Committee;
- Quality Control Questionnaires (QCs) which Internal Audit issue with every final report;
- statements made by the external auditor;
- Performance Indicators.

Evidence of effectiveness is presented to the Audit Committee including an action plan showing areas where it is found that improvements in effectiveness can be made. The Audit Committee must then determine if it is satisfied that the system of Internal Audit is effective.

Annual Governance Statement

The review of the effectiveness of the governance system is informed by:

- the work of the Council's Heads of Service and other Senior Managers who have responsibility for the development and maintenance of the governance environment;
- the work of the Council's Internal Audit Department, including the Annual Report of the Internal Audit Manager, which provides assurance in this regard;
- the work of the Council's external auditor – including the annual Audit Result's Report and other reports, especially in relation to financial aspects, and other aspects of the Council's governance;
- review of Risk Registers and the Council's risk strategy;
- consideration of this Annual Governance Statement document by the Council's Heads of Service, Deputy Chief Executive (Finance) and Chief Executive with particular reference to the wider aspects of governance.

The Audit Committee has reviewed the above and found the system of internal control to be effective for the year ended 31 March 2015.

Significant Governance Issues

Significant governance issues identified by the Council's External Auditors and Internal Audit section in the year ended 31 March 2015 and related actions taken by the Council are:

- There were instances where departments had not undertaken a thorough review of their risks to fraud, or included these in their risk registers. Therefore departments need to ensure that they review all aspects of their work to identify their risks to fraud and ensure that these are included in their risk register. This will enable management to focus on actions to take to minimise the exposure to such risks.
- Testing identified a risk of overcharging on a contract. An external review of a larger sample of charges is taking place. The results of this review are being closely monitored by the Council's senior management team.
- A review of the Council's Health and Safety arrangements found areas which required improvement including the need: a) to hold Health and Safety records centrally; b) for improved documentation; and c) for a dedicated Health and Safety Officer. Health and Safety records are now held centrally and documentation has been improved, with management continuing to address this. A dedicated Health and Safety officer has been recruited and further actions to improve Health and Safety arrangements include a review and refresh of the Council's Health and Safety Policy, comprehensive training and the inclusion of Health and Safety as a standing item for all team and Chief Executive Board meetings.

Annual Governance Statement

The work of the external auditor has identified that, as with the majority of local authorities, the Council will face challenges in managing its finances through the next few years. There is a continued likelihood of reductions in funding and the need to make savings. In particular the external auditors are concerned about the impact of a substantial reduction in the New Homes Bonus, if that were to occur.

The Council has recognised this possibility and identified savings for 2016-17 together with options for further savings if the level of New Homes Bonus is significantly reduced.

The Council's track record in managing its finances is good and it has work underway to meet these challenges.

We will monitor the improvements and their operation as part of our next annual review.

Signed:

A handwritten signature in black ink, appearing to read 'Julian Jolly', written in a cursive style.

Executive Leader of the Council

A handwritten signature in black ink, appearing to read 'L. Jolly', written in a cursive style.

Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST ALBANS CITY & DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of St Albans City & District Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 44, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H10, and the Collection Fund and the related notes C1 to C3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of St Albans City & District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive (Finance) and auditor

As explained more fully in the Statement of the Deputy Chief Executive (Finance)'s Responsibilities set out on page 14, the Deputy Chief Executive (Finance) is responsible for the preparation of the Statement of Accounts 2014/2015, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive (Finance) and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of St Albans City & District Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, St Albans City & District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the accounts of St Albans City & District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Harris

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

Date: 29 September 2015

Glossary of Terms

While the Council makes every effort to make the Statement of Accounts as simple as possible, it is necessary to comply with accounting regulations and standards and as such terms and phrases not in ordinary usage are necessary. This glossary explains some of the main accounting terms and phrases used in the Statement of Accounts.

Accounting Policies

The principles, bases, conventions rules and practices the Council applies that specify how the effects of transactions and other events are to be reflected in the financial statements.

Accounting Period

The period of time covered by the statements/reports/accounts (*e.g. financial year*).

Accounts

Statements setting out records of income and expenditure.

Accrual

A sum included in the accounts to cover spending on goods or services received during the accounting period for which payment had not been made by the year end.

Actual Expenditure and Income

Costs incurred/income attributable to an accounting period, as opposed to budgeted expenditure and income.

Actuarial Gains and Losses

An pension fund actuary is a business professional who deals with the financial impact of risk and uncertainty relating to,for example, assumptions on mortality rates and future investment growths. The actuary calculates changes in gains and losses, which, for a defined benefit pension scheme, arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses).
- the actuarial assumptions have changed.

Asset

Anything owned which can be given a monetary value, for example, buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.

Budget

The representation in financial terms of an organisation's policy for a specified period of time.

Business Rates

Sometimes referred to as National Non-Domestic rates (NNDR) these are rates charged on properties other than domestic properties. The business rate 'multiplier' or 'poundage' is set annually by Central government and is a flat rate throughout the country.

Glossary of Terms

Capital Expenditure

Expenditure on the acquisition of assets such as land, buildings and equipment which will benefit more than one accounting period and expenditure on refurbishment of existing assets that will increase the value of or extend the life of those assets.

CFR - Capital Financing Requirement

This was introduced in accordance with the Local Government Act 2003 and associated regulations. It measures the net capital indebtedness of an Council. It increases when capital expenditure is financed by borrowing (*whether internal or external*) and reduces by the amount of Minimum Revenue Provision applied. It is split into Housing and other (General Fund elements).

Capital Receipts

Income derived from the disposal of capital assets. In accordance with legislation a proportion of the value of the disposal of housing assets must be paid into the Government's National Pool. The balance can be used for re-investment in capital programmes.

Cash Equivalent

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has defined 'short term' as being under three months.

Central Services Charges (Support Services)

Charges made to reflect the support provided to service departments by the central departments. This includes financial, legal, estates, audit, purchasing, human resources, information technology, corporate policy and general administrative support. Also called central establishment charges.

CIPFA

Chartered Institute of Public Finance and Accountancy – the professional body for accountants in the public sector.

Code

This is the code of practice on Local Authority accounting in the United Kingdom issued by the professional accounting body for the Public Sector – CIPFA. It sets out the rules on how to prepare the statement of accounts and the disclosure requirements.

Contingency

A sum set aside in the budget to provide for foreseen, but unquantifiable future commitments, or for unforeseen expenditure which may become necessary.

Collection Fund

A fund administered by charging authorities into which Council Tax income and Business Rates collected locally, are paid. Precepts, demands and shares are paid from the fund and allowable costs charged. The balance on the fund is shared between the preceptors and taken into account in distributions in future years.

Glossary of Terms

Collection Fund Adjustment Account

This account holds the difference between the income included in the Consolidated Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.

Community Assets

Assets that a local Council intends to hold in perpetuity and for the benefit of the whole community that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Council Tax

This is a local tax set by local Councils to help pay for local services.

Counter Party List and Limits

The Counter Party list is the list of institutions that the Council will place excess funds with and limit is the monetary limit to be placed with either a specific institution or a class of institutions. The list and limits is based on criteria in the Treasury Management Strategy approved at least annually by full Council.

Creditor

An amount owed by the Council for work done, good received, or services rendered to the Council within the accounting period and for which payment has not been made at Balance Sheet date.

Debtor

Sums of money due to the Council but not received at the Balance Sheet date.

Depreciation

Depreciation is a measure of the wearing out, consumption or other reduction in the useful economic life of assets, whether from use, passage of time or obsolescence through technology and market changes.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expenditure

Amounts paid for goods and services received.

External Auditors

Auditors appointed to carry out independent examinations of the activities and accounts of local authorities.

Fees and Charges

Income arising from direct charges made to users of services (e.g. car parks, building control, markets, etc).

Final Accounts

Accounts prepared relating to an accounting period.

Glossary of Terms

Financial Year (also referred to as Fiscal Year)

The annual period of accounting (1 April to 31 March for local authorities)

Financial Regulations

A written code approved by a Council to provide a framework within which its financial affairs are conducted.

FRS – Financial Reporting Standard

A statement of accounting practice issued by the Accounting Standards Board.

General Fund

An account showing the cost of carrying out the Council's major functions/activities other than housing.

Government Grants

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Gross (Expenditure/Income)

The term gross indicates that there has been no setting off of income against expenditure or vice-versa. They are the total amounts received or spent.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.

Housing Revenue Account (HRA)

An account showing expenditure incurred and income received in connection with managing and maintaining the Council's housing stock.

IFRS – International Financial Reporting Standards

A combination of authoritative standards (set by policy boards) and the accepted methods of accountancy. The idea behind IFRS is to ensure that financial accounting information is assembled and reported objectively to a certain standard, so ensuring that data is accurate, and comparable between companies.

Impairment

The diminution in value of an asset due to either 'consumption of economic value' (e.g. physical damage or wearing out).

Income

Amounts due to the Council which have been, or are expected to be received.

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction or improvement to highways and footpaths.

Glossary of Terms

Inventories

Comprise the following categories:

goods or other assets purchased for resale;

consumable stores;

raw materials and components purchased for incorporation into products for sale;

products and services in intermediate stages of completion;

long term contract balances; and

products for sale; finished goods

Investments

A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments which do not meet this criteria are short term investments and are classified as current assets.

Liabilities

Amounts owed by the Council for goods or services received.

Liquid Resources

Liquid resources are current asset investments held as cash or that are quickly and easily convertible into cash.

Local Authority Business Growth initiative (LABGI)

The Local Authority Business Growth Incentives (LABGI) is a government grant designed to give local authorities an incentive to encourage local economic and business growth.

Minimum Revenue Provision (MRP)

This is the amount prescribed by legislation, that local authorities have to set aside annually to repay their capital debt. There is no statutory requirement to provide for the repayment of HRA debt but the Council makes voluntary contributions equivalent to the debt repayment schedule.

Net (Expenditure/Income)

The term net indicates that expenditure has been set off against or combined with income to give a combined result. If income is greater than expenditure then netting the two will give a net income.

Non-Current Assets

Tangible assets that yield benefits to the Council for a period of more than one year.

Operational Assets

Non-Current Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Outturn

Actual expenditure and income for the whole financial year.

Performance Plan

An annual report outlining the Council's performance against targets and performance indicators.

Glossary of Terms

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

Precepts

The levy made by one Council on another. Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire, who do not administer the council tax system, each levy an amount on the Council, which collects the required income from local taxpayers on their behalf.

Provisions

An amount set aside to provide for a liability that is likely to be incurred, but the exact amount and date on which it will arise is uncertain.

REFCUS - Revenue expenditure funded from capital under statute.

This is expenditure that does not fall within the Code's definition of Non-Current Assets, but is classified as expenditure for capital purposes with respect to the prudential framework. Examples are home improvement grants, and grants to housing associations to buy or build houses.

Related Party Transactions

The objective is to identify any transactions which may have taken place as a result of the control or influence exercised by one party over another. The concern is that such transactions may not be, or may not be perceived to be, in the best interests of the Council.

Rent Allowances

Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.

Rent Rebates

Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.

Reserve

A reserve can be established by contributions with a view to defraying expenditure in future years. Reserves may be established for specific purposes (*for example repairs and renewals*) or for general purposes.

Revenue Expenditure

Spending on day-to-day items including salaries and wages, premises costs and running costs (*e.g. supplies and services*).

Revenue Support Grant

Central Government Grant towards the cost of Local Council Services.

Specific Grant

A grant paid by central government towards the cost of a specific service. The grant is only received if the money is spent on the services specified.

Glossary of Terms

Total Cost

The total cost of a service or activity reflects all associated cost and exists in both gross and net terms.

Trading Account

A statement detailing expenditure and income for a discrete activity.

Variance

A difference between the amount budgeted for an item or service and the actual income or expenditure on that item or service.