



**St Albans**  
City & District Council

# **Statement of Accounts 2010/2011**

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# Explanatory Foreword to the Statement of Accounts

## 1. Introduction

This foreword is not formally part of the Statement of Accounts, but has been written to provide a better understanding of the significant matters reported in the accounts. The Authority's accounts for the year ended 31 March 2011 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, the local authority code constitutes a "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003. The accounts are set out in pages following the Explanatory Foreword.

The Authority's Statement of Accounts consists of:

### Core Statements

- **Movement in Reserves Statement** – this is a new statement for 2010/11 (with corresponding balances shown for 2009/10) and shows the movement in the year on the different reserves held by the Authority 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** – a summary of the resources generated and consumed by the Authority in the year in a format compliant with UK Generally Accepted Accounting Principles (UK GAAP).
- **Balance Sheet** – shows the Authority'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** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

### Supplementary Statements

- **Collection Fund Income and Expenditure Account** – reflects the statutory requirement for St Albans City and District 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.
- **Statement of Responsibilities for the Statement of Accounts** – this outlines the responsibilities of the Authority and the Chief Finance Officer with respect to the Statement of Accounts.

These accounts are supported by Accounting Policies (Note 1 to the Core Financial Statements) on which the Authority 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. Changes to the Statement of Accounts

There have been major changes to the Statement of Accounts for 2010/11. These changes have been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory board.

The main changes are summarised below:

- The Statement of Accounts is the first to be prepared on an International Financial Reporting Standard (IFRS) basis, and there are specific transitional arrangements that apply only in 2010/11. IFRS 1 “First-time Adoption of International Financial Reporting Standards” is the IFRS that sets out these specific transitional arrangements, and the Code requires authorities to follow this standard, except where interpretations or adaptations to fit the Public Sector are detailed in the Code.
- Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.
- The move to an IFRS based code from a UK GAAP based SORP results in a number of significant changes in accounting practice. The key accounting changes include:
  - Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.
  - The main financial statements have changed, and there are additional requirements relating to the disclosure of information reported to management and the reconciliation of this information to the accounting statements (segmental reporting).
  - There is a requirement to consider whether large assets consist of material components with differing lives and therefore different depreciation rates (component accounting). This also requires the council to identify and remove from the accounting records part of an asset (component) when it is replaced (asset derecognition). This has had a major effect on our recording, valuation and depreciation of council houses.
  - Property leases are classified and accounted for as separate leases of land and buildings. Local authorities have to assess whether other arrangements contain the substance of a lease.
  - Investment properties (properties held for capital appreciation or income stream) are measured at fair value i.e market value. Gains and losses are recognised directly in the Surplus or Deficit rather than through the revaluation reserve as previously.
  - Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.
  - The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification
  - All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay.

# Explanatory Foreword to the Statement of Accounts

- **Impact of the Economic Climate** – This Explanatory Foreword provides information and explanation relevant to the Accounts. Local Authority Accounting Panel (LAAP) 81 dated April 2009 suggested authorities should consider including an explanation of the impact of the current economic climate on the Authority and the services it provides, as this will assist users in assessing, for example, the adequacy of reserves
- **Accounts and Audit (England) Regulations 2011** – The Accounts and Audit (England) Regulations 2011 came into force on 31 March 2011, and replaced the 2003 Regulations (as amended). The main changes to the previous regulations are:
  - The Chief Finance Officer now must, no later than 30 June immediately following the end of a Financial Year, sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the end of the Financial Year to which it relates, and of the Authority's income and expenditure for the year.
  - No later than 30 September in the year following the financial year to which the Statement relates the Authority must:
    - consider (either by way of committee, or by the members meeting as a whole), the Statement of Accounts
    - following that consideration approve the Statement of Accounts by a resolution of that committee or meeting
    - following approval, ensure that the Statement of Accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given, and
    - publish (including publication on the Authority's website) the Statement of Accounts together with any certificate, opinion or report issued, given or made by the auditor under Section 9 of the Audit Commission Act 1988.
  - The Chief Finance Officer must re-certify the presentation of the Statement of Accounts before the council approves it.
  - The Authority must keep copies of the Statement of Accounts with any auditor opinion for purchase by any person on payment of a reasonable sum.

Previously the Statement of Accounts had to be signed and dated by the Chief Finance Officer and approved by the Council or a committee no later than 30 June, prior to the audit of the accounts commencing, then further considered if there were material changes to the Statement of Accounts by the end of September.

# Explanatory Foreword to the Statement of Accounts

- **Other Issues and Amendments** – Further guidance has been issued on a number of technical areas through LAAP Bulletins, including LAAP Bulletin 88 dated April 2011.
  - Although the majority of the issues raised related to additional guidance and clarification of IFRS issues, most of the remaining issues were not directly relevant or did not apply to the Authority in the year, but consideration was given to their potential impact on the accounts.
  - However, LAAP Bulletin 88 did give further advice on disclosures required for Heritage Assets. Appendix C to the 2011/12 Code confirms that the adoption of FRA 30 Heritage Assets in the 2011/12 Code will require disclosure in accordance with paragraph 3.3.4.3 of the Code in the 2011/12 financial statements of Local Authorities in the UK. Paragraph 3.3.4.3 of the 2010/11 states “An Authority shall disclose information relating to the impact of an accounting change that will be by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the Financial year in question (i.e. on or before 1 January 2011 for 2010/11)”. Disclosure requirements are expected to be included in a subsequent edition of the Code. Further information is set out in Note 2 to the Core Financial Statements.

## 3. Accounting Policies

The Authority's Accounting Policies are set out following the Core Financial Statements. The major changes to the Authority's Accounting Policies since the previous Statement of Accounts was produced for 2009/10 are in respect of the Code 2010, and the majority relate to IFRS (referred to earlier in the Foreword); any major changes have been added to Accounting Policies under the relevant headings.

These have been made following a review of the latest Code Guidance Notes for Practitioners for the 2010/11 Accounts issued by CIPFA.

## 4. Redundancy

During the year a charge of £855,477 relating to voluntary redundancies was made to the Cost of Services. The cost of the redundancies was met from accumulated resources.

## 5. Collection Fund

The Collection Fund records the income from Council Tax and Non-Domestic Rates and its distribution. Non-Domestic Rates are collected on behalf of the Government and are paid over, net of an allowance for costs of collection.

As at 31 March 2011, the Collection Fund had a surplus of £879,000, (2009/10 surplus £729,000), reflecting an in-year surplus of £150,000. The in-year surplus is mainly due to a better than forecast Collection Fund balance at 31 March 2011 offset by an overall increase in the Provision for Bad Debts in 2010/11. After taking into account the break-even position already calculated for 2010/11, St Albans' share of the surplus will be £124,000, and will be taken into account when setting 2012/13 Council Tax levels.

# Explanatory Foreword to the Statement of Accounts

## 6. 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 2010/11 against the approved budgeted programme (see note 36 in the Core Financial Statements for further information).

<b>CAPITAL PROGRAMME</b>	<b>2010/11 Approved Budget £'000</b>	<b>2010/11 Outturn £'000</b>	<b>2010/11 Variance £'000</b>
Investment Projects	21	-	(21)
Corporate Activities	7	2	(5)
ICT	672	266	(406)
Refcus	1,442	922	(520)
Housing	9,336	6,710	(2,626)
Transport & Highways	621	253	(368)
Public Health & Safety	254	190	(64)
Sports & Leisure	5,587	1,422	(4,165)
<b>Total</b>	<b>17,940</b>	<b>9,765</b>	<b>(8,175)</b>
<b>This Capital Programme was financed as follows</b>			
		<b>Outturn £'000</b>	
Capital receipts		923	
Government Grants and Third party contributions		7,842	
Prudential Borrowing		1,000	
<b>Total</b>		<b>9,765</b>	
<b>APPROVED CAPITAL EXPENDITURE FOR THE FOLLOWING YEARS ARE:</b>			
	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
General Fund	20,475	4,894	550
Housing Investment Programme (HIP)	9,797	6,238	8,458
<b>Total Capital Expenditure</b>	<b>30,272</b>	<b>11,132</b>	<b>9,008</b>
<b>Financed by:</b>			
Borrowing Requirements	23,888	990	-
Grants & Contributions	1,690	5,217	4,697
Capital Reserves / Receipts	4,114	2,925	4,311
Other Funding	580	2,000	-
<b>Total</b>	<b>30,272</b>	<b>11,132</b>	<b>9,008</b>

# Explanatory Foreword to the Statement of Accounts

## 7. Pensions

Pension costs are accounted for in accordance with the accounting standard IAS19 (previously referred to as FRS17). The objectives of IAS19 are to ensure that the financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding and the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned, and that the financial statements contain adequate disclosure of the cost of providing retirement benefits.

IAS19 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the IAS19 figures with the actual cash payments made to the Pension Fund. The actual payments are shown in the Statement of Movement on the General Fund Balance.

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long-term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £33.52m in 2010/11 (2009/10 £58.82m), 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 St Albans District & City Council Pension Fund was completed as at the 31 March 2010. A revised common rate of employer's contribution will commence on 1 April 2011, taking into account the net pension liability disclosed above.



# Explanatory Foreword to the Statement of Accounts

## 8. The Impact of the National Economy

Nationally the economy has been severely affected by the worldwide credit crunch. The Bank of England's bank rate fell from a peak of 5.25% in April 2008, finishing at 0.5% in March 2009, which is where it has remained, unchanged, throughout the financial year 2010/11. Reduced income returns from investments, the reduction in growth in the economy and the slump in the housing market has had an affect on this Council's services. Service delivery pressures have increased on:

- Housing Benefits from additional claimants;
- Extra Homelessness applications; and
- Pressure on collecting Council Tax, Non Domestic Rate and Rents and recovery of outstanding debts.

The income from investment (surplus funds) has continued to be low due to the earlier reductions in interest rates, together with the investment market impact on rates, and more risk adverse investment decisions following the failure of the Icelandic Banks and the rescue of other banks during 2008/09.

Note 39 to the Core Financial Statements on Pensions sets out in detail the assets and liabilities attributed to this Council by the Actuary to the St Albans District Council Pension Scheme. This Council's share of the Fund deficit has, at 31 March 2011 reduced to £33.52m compared to £58.82m a year earlier. This reduction can be attributed in part to the Government's decision last summer to change the annual public sector pension's inflation increase indicator from the Retail Price Index (RPI) to the generally lower indicator of the Consumer Prices Index (CPI). In addition Assets invested (equities, bonds, property and cash) and Liabilities for fund members (employees, deferred pensioners and pensioners) have reverted back to levels in 2006/07.

A detailed review of the book valuations of the Council's Assets has been undertaken at the end of the financial year to assess changes in valuations. Where the Council's internal qualified valuers have determined that the book value of any of the Council's assets has fallen, this has been reflected in the Council's Accounts and the impact is shown under Revaluation Losses of Non-current assets. The major impact this year was the change in the government's social housing factor applied to housing property values to arrive at a social housing value. The factor changed from .45 in 2010 to .35 in 2011, which had a significant effect on the value of council dwellings (See Note 12 to the Core Financial Statements for further details). The financial impact of revaluation losses of Non-Current Assets in 2010/11 was £151.238m (2009/10 £14.714m).

# Statement of Responsibilities for the Statement of Accounts

## St Albans City and District Council's responsibilities

### The Chief Finance Officer's responsibilities

The Chief Finance Officer 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 Chief Finance Officer 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.

This Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date, and of its expenditure and Income for the year ended 31 March 2011.

**C O'Callaghan**  
Chief Finance Officer

**Date: 28 September, 2011**

## St Albans City and District Council is required to:

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

The accounts were submitted to and approved by the Audit Committee on 28 September 2011.

I confirm that these accounts were approved at the meeting held on 28 September 2011.

**Councillor C White**  
Chair of the Audit Committee

**Date: 28 September, 2011**

## Movement in Reserves Statement 2010-2011

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	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
<b>Balance at 31 March 2010</b>	2,362	1,124	1,180	8,056	1,277	2,898	16,897	479,265	496,162
<b>Movement in reserves during 2010/11</b>									
Surplus or (deficit) on the provision of services	7,444	-	(99,030)	-	-	-	(91,586)	-	(91,586)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	22,930	22,930
<b>Total Comprehensive Income and Expenditure</b>	<b>7,444</b>	<b>-</b>	<b>(99,030)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(91,586)</b>	<b>22,930</b>	<b>(68,656)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(5,921)	-	99,539	349	(1,258)	(300)	92,409	(92,409)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,523</b>	<b>-</b>	<b>509</b>	<b>349</b>	<b>(1,258)</b>	<b>(300)</b>	<b>823</b>	<b>(69,479)</b>	<b>(68,656)</b>
Transfers to/from Earmarked Reserves (note 8)	(183)	480	-	-	6	(279)	24	2	26
<b>Increase/Decrease in 2010/2011</b>	<b>1,340</b>	<b>480</b>	<b>509</b>	<b>349</b>	<b>(1,252)</b>	<b>(579)</b>	<b>847</b>	<b>(69,477)</b>	<b>(68,630)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>3,702</b>	<b>1,604</b>	<b>1,689</b>	<b>8,405</b>	<b>25</b>	<b>2,319</b>	<b>17,744</b>	<b>409,788</b>	<b>427,532</b>

## Movement in Reserves Statement 2009-2010

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	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
<b>Balance at 1 April 2009</b>	4,043	1,653	1,163	8,179	2,469	1,401	18,908	474,211	493,119
<b>Movement in reserves during 2009/10</b>									
Surplus or (deficit) on provision of services	(5,247)	-	(15,006)	-	-	-	(20,253)	-	(20,253)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	23,298	23,298
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,247)</b>	<b>-</b>	<b>(15,006)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,253)</b>	<b>23,298</b>	<b>3,045</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	3,624	-	15,023	(123)	(1,206)	1,497	18,815	(18,815)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,623)</b>	<b>-</b>	<b>17</b>	<b>(123)</b>	<b>(1,206)</b>	<b>1,497</b>	<b>(1,438)</b>	<b>4,483</b>	<b>3,045</b>
Transfers to/from Earmarked Reserves (note 8)	(58)	(529)	-	-	14	-	(573)	571	(2)
<b>Increase/Decrease in 2009/2010</b>	<b>(1,681)</b>	<b>(529)</b>	<b>17</b>	<b>(123)</b>	<b>(1,192)</b>	<b>1,497</b>	<b>(2,011)</b>	<b>5,054</b>	<b>3,043</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>2,362</b>	<b>1,124</b>	<b>1,180</b>	<b>8,056</b>	<b>1,277</b>	<b>2,898</b>	<b>16,897</b>	<b>479,265</b>	<b>496,162</b>

# 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
2009/2010	2009/2010	2009/2010		2010/2011	2010/2011	2010/2011
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Central Services</b>			
6,495	(6,507)	(12)	Council Tax Benefit Payments	6,641	(6,712)	(71)
3,135	(1,273)	1,862	Other Central Services	3,049	(1,235)	1,814
7,149	(1,216)	5,933	<b>Cultural and Related Services</b>	6,125	(934)	5,191
8,257	(1,987)	6,270	<b>Environmental and Regulatory Services</b>	8,676	(2,640)	6,036
			<b>Planning and Development Services</b>			
4,897	(1,636)	3,261		4,739	(1,749)	2,990
3,112	(2,181)	931	<b>Roads and Transport Services</b>	2,886	(2,368)	518
			<b>Housing Services</b>			
25,229	(25,138)	91	Housing Benefit Payments	27,399	(27,387)	12
2,640	(667)	1,973	Other Housing services	2,106	(620)	1,486
37,177	(23,218)	13,959	Local Authority Housing (HRA)	29,283	(23,689)	5,594
-	-	-	HRA Depreciation and Impairment*	93,373	-	93,373
3,355	(471)	2,884	<b>Corporate and Democratic Core</b>	3,084	(173)	2,911
87	-	87	<b>Non distributed Costs (note 5)</b>	-	(10,955)	(10,955)
<b>101,533</b>	<b>(64,294)</b>	<b>37,239</b>	<b>Cost of Services</b>	<b>187,361</b>	<b>(78,462)</b>	<b>108,899</b>
		3,913	Other operating expenditure	note 9		4,453
		2,753	Financing and Investment Income and Expenditure	note 10		1,488
		(23,652)	Taxation and non-specific grant	note 11		(23,254)
		<b>20,253</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>91,586</b>
		(50,938)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(7,520)
		27,639	Actuarial gains/losses on pension	note 39		(15,410)
		<b>(23,299)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(22,930)</b>
		<b>(3,046)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>68,656</b>

\* Exceptional material item disclosed separately per the code (see notes 7 and 12).

## Balance Sheet as at 31 March 2011

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 are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1 April 2009 £'000	31 March 2010 £'000		Note	31 March 2011 £'000
504,421	540,340	Property Plant and Equipment	12	447,255
8,128	8,128	Investment property	13	8,053
507	487	Intangible Assets	14	526
1	1	Long term investments	15	1
430	406	Long term debtors	16	339
<b>513,487</b>	<b>549,362</b>	<b>Long Term Assets</b>		<b>456,174</b>
8,168	1,014	Short Term Investments	15	1,004
56	69	Inventories	17	56
4,576	5,075	Short Term Debtors	18	6,191
10,142	7,654	Cash and Cash equivalents	19	7,979
<b>22,942</b>	<b>13,812</b>	<b>Current Assets</b>		<b>15,230</b>
-	-	Short Term Borrowing	15	(1,000)
(13,039)	(6,210)	Short Term Creditors	20	(7,377)
<b>(13,039)</b>	<b>(6,210)</b>	<b>Current Liabilities</b>		<b>(8,377)</b>
(29,802)	(58,815)	Pension Liability	39	(33,517)
-	(1,500)	Long term borrowing	15	(1,500)
(419)	(325)	Other Long term Liabilities		(175)
(50)	(162)	Capital Grants Receipts in Advance	34	(303)
<b>(30,271)</b>	<b>(60,802)</b>	<b>Long Term Liabilities</b>		<b>(35,495)</b>
<b>493,119</b>	<b>496,162</b>	<b>Net Assets</b>		<b>427,532</b>
18,908	16,897	Usable Reserves	22	17,744
474,211	479,265	Unusable reserves	23	409,788
<b>493,119</b>	<b>496,162</b>	<b>Total reserves</b>		<b>427,532</b>

## 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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.

2009/2010 £'000		Notes	2010/2011 £'000
(20,253)	<b>Net surplus or (deficit) on the provision of services</b>		(91,586)
193,875	Adjustment to net surplus or deficit on the provision of services for non-cash movements	25	264,174
(174,981)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(166,875)
<b>(1,359)</b>	<b>Net cash flows from Operating Activities</b>		<b>5,713</b>
3,705	Investing Activities	27	(5,965)
(4,834)	Financing Activities	28	577
<b>(2,488)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>325</b>
10,142	Cash and cash equivalents at the beginning of the reporting period		7,654
<b>7,654</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>7,979</b>

# Notes to the Accounts

## 1. Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010-11 financial year and its position at the year-end 31 March 2011. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2003, 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 and the Best Value Accounting Code of Practice 2010-11 supported by International financial Reporting Standards (IFRS).

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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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.
- Interest 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 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 Authority's cash management.

## 1.4 Exceptional Items

Where items of income and expenditure are material, their nature and amounts are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the accounts, depending on how important they are to an understanding of the Authority's financial performance.

## 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 Authority'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.

## 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

## Notes to the Accounts

**1.6 cont.** The Authority 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 Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 1.7 Employee Benefits

#### 1.7a Benefits Payable During Employment

Short-term employee benefits are those falling due 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 Authority.

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 Authority 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 Authority 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 Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority 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 Authority.

# Notes to the Accounts

## 1.7c *The Local Government Pension Scheme*

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

- The liabilities of the pension scheme attributable to the Authority 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 high-quality corporate bond (iBoxx Sterling Corporate Index, AA over 15 years).
  
- The assets of the Hertfordshire Local Government Pension Fund attributable to the Authority 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 seven components:
  - 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;
  - 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 Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Interest costs – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement;
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

## Notes to the Accounts

### 1.7c cont.

- 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 – debited to the Statement of Total Recognised Gains and Losses;
- 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 Authority 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.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011, public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing St Albans District Council’s liabilities in the Local Government Pension Scheme by £10,995k, and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

#### ***Discretionary Benefits***

The Authority 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.

## 1.8 Events after the Balance Sheet date

Events after the balance sheet date are those events, favourable or unfavourable, that have occurred 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.

# Notes to the Accounts

## 1.9 Financial Instruments

### 1.9a Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 most of the borrowings that the Authority has, 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.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

### 1.9b Financial Assets

Financial assets held by the Authority 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***

Loans and receivables are recognised on the Balance Sheet when the Authority 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 most of the loans that the Authority has 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

## 1.9b **Soft Loans**

**cont.** Soft loans are loans made at less than market rates. The Council has made loans to employees relating to the assisted car purchase scheme, the bicycle purchase scheme and the travel season tickets scheme, which fall into this category. The value of loans at the year end totalled £32,766 (2010 £44,897) which is considered immaterial to the accounts and therefore adjustments have not been made to the carrying values. £25,712 (2010 £38,062) relating to car purchase loans is disclosed under long term debtors and the balance of £7,054 (2010 £6,835) is disclosed under short term debtors.

## 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. 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.

### **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenues funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

# Notes to the Accounts

## 1.11 Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Internally generated assets are capitalised when it is demonstrable that the project is technically feasible and it is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. (Research expenditure is not capitalised).

Expenditure on the development of the St Albans & District website is primarily intended to promote or advertise the Authority's goods or services and therefore is not capitalised.

Intangible assets are measured at Cost. Amounts are only re-valued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciation of an intangible asset is amortised over the assets 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 – 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. The 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 £10,000) the Capital Receipts Reserve.

## 1.12 Inventories

Inventories are included in the balance sheet at the lower of cost or net realisable value.

# Notes to the Accounts

## 1.13 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. 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 regarded 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 re-valued 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 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 £10,000) the Capital Receipts Reserve.

## 1.14 Jointly Controlled Operations and Jointly Controlled Assets

The Authority is one of five contributing to the operations of the West Hertfordshire Crematorium Joint Board. The Authority'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 Authority does not control the assets and therefore they are not included in the Balance Sheet.



# Notes to the Accounts

## 1.15 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

Arrangement 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.

### 1.15a The Authority as Lessee

#### ***Finance Leases***

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenues funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

# Notes to the Accounts

## 1.15a *Operating Leases* cont.

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.

## 1.15b *The Authority as Lessor*

### *Finance Leases*

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

# Notes to the Accounts

## 1.15b *Operating Leases*

cont.

Where the Authority 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.

## 1.16 **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 Best Value Accounting Code of Practice 2008 (BVACOP). 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 Authority'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 BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## 1.17 **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 £10,000) unless the items can be grouped together to create an asset group of over £10,000, for example computer equipment. Items not capitalised are charged as an expense when incurred.

### 1.17a **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 Authority 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

## 1.17b 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 (say 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. Exceptionally, gains might be 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

**1.17b cont.** 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 (say 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. Exceptionally, gains might be 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.

### **1.17c Impairment**

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 reversed subsequently, 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.

# Notes to the Accounts

## 1.17d 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 – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation over the useful life of the asset. as advised by a suitably qualified officer.

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 either the year of acquisition or in the year of disposal.

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.

## 1.17e 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. 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 losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. The authority considers that assets sold under 'Right to Buy' legislation become surplus on the day of 'completion' and therefore they are not at any time considered as 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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

## Notes to the Accounts

**1.17e cont.** When an asset is disposed of or decommissioned, the carrying amount of the asset 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 (ie 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 £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority'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.

### 1.18 Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority 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 Authority becomes aware of the obligation, based on the estimation of likely settlement. 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 separately disclosed against debtors on the Balance Sheet and are not included in the provisions figure. Known uncollectible debts have been written off.

# Notes to the Accounts

## 1.19 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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.

## 1.20 Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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 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 Authority – these reserves are explained in the relevant policies.

## 1.21 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 Authority 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 to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## 1.22 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.



# Notes to the Accounts

## 1.23 Accounting for Council Tax and NNDR in an agency role

The council acts as the billing authority on behalf of (a) major preceptors of council tax and (b) the government for NNDR and debtors or creditors relating to these aspects are not recognised in the balance sheet. Instead the council recognises a creditor or debtor for cash collected:

- from NNDR debtors as agent of the government but not paid to the government, or overpaid to the government, at the balance sheet date.
- from council tax debtors as agent of the major preceptors but not paid to them, or overpaid to them, at the balance sheet date.

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

The 2010/11 Accounting Code of Practice does not require Local Authorities to comply with Financial Reporting Standard 30 accounting for Heritage assets, other than 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 adopted.

Heritage assets have been recorded in the balance sheet as at 31 March 2011 under a number of asset categories including the Community Assets and Property Plant and Equipment headings.

Heritage assets include historic buildings, archaeological sites, military and scientific equipment of historic importance, civic regalia, and museum and gallery collections of works of art

At present the Authority has £12,138,606 of heritage asset held at cost in the categories of Investment Property (£4,256,856) and Property Plant and Equipment (£7,881,750).

The Authority also has property which is of historic importance, but is not necessarily held purely for its contribution to knowledge and culture. The Authority will assess the property assets as at 1 April 2011 and determine how best to reflect heritage assets in the financial statements for 2011-12, at which time a new Accounting Policy will be established. Heritage Assets will be identified in 2010-11 final accounting statements as a new class of asset.

## 3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:

## Notes to the Accounts

- 3. cont.** The introduction of Componentisation in accordance with International Financial Reporting Standards requires material elements of assets where economic life is materially different to be identified and depreciated separately.

The Authority's housing stock has been divided into many components, and then those Components grouped into three bands representing band 1 structure 50 years, band 2 kitchens bathrooms etc 20 years, and heating boilers etc 10 years. This has significantly affected the level of depreciation increasing the charge for 2010-11 by £5,369K. Capital spending on assets is added to fixed asset representing components replaced and the old component de-recognised.

General fund assets have been selected for componentisation only where the asset is significant (in excess of £1 million) and the adjustment in depreciation is expected to result in greater than £10,000 increase. Any asset meeting these criteria will then be componentised prospectively as the asset is programmed for valuation. Capital spending on componentised assets is added to fixed asset representing components replaced and the old component de-recognised.

The General Fund componentisation has resulted in an increase in depreciation of £286,059.18.

The split of the value of a property between land and buildings has a significant effect on the depreciation charge as land is not depreciated. It would be impractical to measure accurately the ratio of land to buildings for each property and therefore the valuers estimate an average and this is applied to each property value. The split is land 40% (2010 15%) and buildings 60% (2010 85%)

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are no items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year.

## **5. Material items of income and expense**

### **Past Service Gain**

The Government has announced that it plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has been accounted for by the Council's Actuarial advisors as a past service gain, and disclosed under 'non distributable costs' on the Comprehensive Income and Expenditure Statement (CI&E) as a gain of £10.955 million. This is subsequently adjusted via the Movement in Reserve Statement to ensure it has no General Fund Balance implications in accordance with proper practice.

# Notes to the Accounts

## Actuarial Gain

The Pension Fund Actuary has reported an actuarial gain for 2010-11 of £33.52 million. This is reported as a gain on the CI&E, and subsequently adjusted via the Movement in Reserve Statement to ensure it has no General Fund Balance implications in accordance with proper practice.

## Devaluation

The activity to revalue and impair assets is recorded in services where appropriate. The items that could not be recorded in the services result in a net devaluation of £33.52 million.

## 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 September 2011 and the unaudited accounts were issued on 30 June 2011. The audited accounts were authorised for issue on 28 September 2011. Events taking place after 30 June 2011 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event, which took place after 31 March 2011 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date:

Other Land and buildings included in the Property Plant and Equipment line in the Balance Sheet contains valuations totaling £2.3 million for indoor tennis courts at Batchwood Golf and tennis Centre. On the morning of 10/08/2011 part of the building was destroyed by fire. The council has adequate insurance for the restatement of the building.

## 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

# 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	
<b>2010/2011</b>						
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(2,173)	(93,373)	-	(10,532)	-	106,078
Amortisation of intangible assets	(162)	-	-	-	-	162
Movements in the market value of Investment Properties	(75)	-	-	-	-	75
Capital grants and contributions applied	81	432	-	-	-	(513)
Revenue Expenditure Funded from Capital under Statute	(922)	-	-	-	-	922
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(357)	(2,917)	-	-	-	3,274
<b>Adjustments involving the Capital Grants Unapplied</b>						
Capital grants and contributions unapplied credited to the CI&ES	970	-	-	-	(970)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,270	(1,270)
<b>Adjustments involving the Capital Receipts reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	-	2,224	(2,224)	-	-	-
Other Capital Receipts taken to the CI&ES	3	214	(217)	-	-	-
Use of the Capital receipts Reserve to finance new expenditure	-	-	923	-	-	(923)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(5)	-	5	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,170)	-	1,170	-	-	-
Transfer from the Deferred Capital receipts reserve upon receipt of cash	-	-	(5)	-	-	5
<b>Adjustments involving the Major Repairs Reserve</b>						
Reversal of the MRR credited to the HRA	-	(6,648)	-	6,648	-	-
Use of the MRR to finance new capital expenditure	-	-	-	5,141	-	(5,141)
<b>Adjustments involving the Financial Instruments</b>						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	-	238	-	-	-	(238)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (see note 38)	7,455	(285)	-	-	-	(7,170)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,143	575	-	-	-	(2,718)
<b>Adjustments involving the Employment Reserve</b>						
Adjustment between comprehensive income and expenditure account and employment reserve	146	-	-	-	-	(146)
<b>Adjustments involving the Collection Fund Adjustment</b>						
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	(11)	-	-	-	-	11
<b>Total Adjustments</b>	<b>5,923</b>	<b>(99,540)</b>	<b>(348)</b>	<b>1,257</b>	<b>300</b>	<b>92,408</b>

# 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	
<b>2009/2010</b>						
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(2,432)	(10,698)	-	(7,973)	-	21,103
Amortisation of intangible assets	(247)	-	-	-	-	247
Capital grants and contributions applied	-	261	-	-	-	(261)
Revenue Expenditure Funded from Capital under Statute	(1,518)	-	-	-	-	1,518
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(71)	(2,162)	-	-	-	2,234
<b>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement</b>						
Voluntary provision for the financing of capital investment	-	-	-	170	-	(170)
<b>Adjustments involving the Capital Grants Unapplied</b>						
Capital grants and contributions unapplied credited to the CI&ES	2,530	-	-	-	(1,497)	(1,033)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
<b>Adjustments involving the Capital Receipts reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&ES	2	1,402	(1,404)	-	-	-
Other Capital Receipts taken to the CI&ES	118	110	(228)	-	-	-
Use of the Capital receipts Reserve to finance new expenditure	-	-	867	-	-	(867)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	(33)	-	33	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(862)	-	862	-	-	-
Transfer from the Deferred Capital receipts reserve upon receipt of cash	-	-	(7)	-	-	7
<b>Adjustments involving the Major repairs Reserve</b>						
Reversal of the MRR credited to the HRA	-	(4,095)	-	4,095	-	-
Use of the MRR to finance new capital expenditure	-	-	-	4,914	-	(4,914)
<b>Adjustments involving the Financial Instruments</b>						
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	-	365	-	-	-	(365)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the CI&ES (see note 38)	(3,972)	(757)	-	-	-	4,729
Employer's pensions contributions and direct payments to pensioners payable in the year	2,805	551	-	-	-	(3,356)
<b>Adjustments involving the Employment Reserve</b>						
Adjustment between Comprehensive Income and Expenditure Account and Employment Reserve	77	-	-	-	-	(77)
<b>Adjustments involving the Collection Fund Adjustment</b>						
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	(21)	-	-	-	-	21
<b>Total Adjustments</b>	<b>(3,624)</b>	<b>(15,023)</b>	<b>123</b>	<b>1,206</b>	<b>(1,497)</b>	<b>18,816</b>

## Notes to the Accounts

### 8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/2011.

	Balance at 1 April 2009 £'000	Transfers out 2009/2010 £'000	Transfers In 2009/2010 £'000	Balance at 31 March 2010 £'000	Transfers out 2010/2011 £'000	Transfers In 2010/2011 £'000	Balance at 31 March 2011 £'000
<b>General Fund</b>							
Leisure Services Dept	81	(43)	122	160	(43)	172	289
Community Crime	50	(25)	-	25	(25)	10	10
Museums Reserves	36	(12)	13	37	(8)	7	36
Amenity Area Mtce Fund	188	-	-	188	-	1	189
S52 Town & Country Planning Act	139	-	1	140	-	-	140
LABGI	513	(207)	87	393	(160)	-	233
Prevent Violent Extremism grant	-	(35)	144	109	(97)	140	152
Westminster Lodge capital reserve	575	(574)		1	(21)	276	256
Other Reserves	71		-	71	(104)	332	299
<b>Total</b>	<b>1,653</b>	<b>(896)</b>	<b>367</b>	<b>1,124</b>	<b>(458)</b>	<b>938</b>	<b>1,604</b>

### 9. Other Operating Expenditure

2009/2010 £'000		2010/2011 £'000
2,188	Parish Council Precepts	2,233
862	Payments to the Government Housing Capital Receipts Pool	1,170
863	Gains/losses on the disposal of non-current assets	1,050
<b>3,913</b>		<b>4,453</b>

## Notes to the Accounts

### 10. Financing and Investment Income and Expenditure

2009/2010 £'000		2010/2011 £'000
55	Interest payable and similar charges	122
3,363	Pension Interest Costs and expected return on pension assets	1,812
(245)	Interest receivable and similar income	(210)
-	- Income and expenditure in relation to investment properties and changes in their fair value	75
(420)	Surplus/deficit from trading operations not included in Net Cost of Services	(311)
<b>2,753</b>		<b>1,488</b>

### 11. Taxation and Non-Specific Grant Incomes

2009/2010 £'000		2010/2011 £'000
(12,570)	Council Tax Income	(12,630)
(135)	Transfer from the Collection Fund	(116)
(6,199)	Non-Domestic Rates	(6,695)
(761)	Other income	(1,630)
(3,987)	Non - ringfenced government grants	(1,132)
-	- Capital grants and contributions	(1,051)
<b>(23,652)</b>	<b>Total</b>	<b>(23,254)</b>

# Notes to the Accounts

## 12. Property, Plant and Equipment

### Movements on Balances

### Movements in 2010/2011

	Council Dwellings £'000	OLB £'000	VPE £'000	Infra-structure £'000	Community Assets £'000	Asset Under Const-ruktion £'000	Total PPE £'000
<b>Cost or Valuation</b>							
At 1 April 2010	482,533	61,620	5,165	3,546	17	1,224	554,104
Additions	6,515	195	752	253	-	926	8,641
Revaluation losses through the CI&E	(93,260)	-	-	-	-	-	(93,260)
Revaluation losses through the Revaluation Reserve	(52,525)	-	-	-	-	-	(52,525)
Derecognition - disposals	(3,010)	(375)	-	-	-	-	(3,385)
Assets reclassified (to)/from	-	-	-	-	-	-	-
Revaluation Gains	53,798	1,588	-	-	-	-	55,386
Revaluation losses	-	(4,604)	-	-	-	-	(4,604)
<b>At 31 March 2011</b>	<b>394,051</b>	<b>58,424</b>	<b>5,917</b>	<b>3,799</b>	<b>17</b>	<b>2,149</b>	<b>464,357</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2010	(7,833)	(2,102)	(2,989)	(835)	(5)	-	(13,764)
Depreciation charge	(10,429)	(1,336)	(352)	(241)	-	-	(12,358)
Depreciation written out to the Revaluation Reserve	-	596	-	-	-	-	596
Derecognition - disposals	94	18	-	-	-	-	112
Assets reclassified (to)/from	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	7,739	573	-	-	-	-	8,312
<b>At 31 March 2011</b>	<b>(10,429)</b>	<b>(2,252)</b>	<b>(3,341)</b>	<b>(1,076)</b>	<b>(5)</b>	<b>-</b>	<b>(17,103)</b>
<b>Net Book Value</b>							
<b>At 31 March 2011</b>	<b>383,622</b>	<b>56,173</b>	<b>2,576</b>	<b>2,723</b>	<b>12</b>	<b>2,149</b>	<b>447,255</b>
<b>At 31 March 2010</b>	<b>474,699</b>	<b>59,519</b>	<b>2,176</b>	<b>2,710</b>	<b>12</b>	<b>1,224</b>	<b>540,340</b>

The split between land and building for Council dwellings was changed from 15:85(2009/10) to 33:67(2010/11). This split resulted in an exceptional revaluation gain of £54 million on land and a revaluation loss of £146 million on buildings. Overall the Council dwellings value fell by £92 million.



# Notes to the Accounts

	Council Dwellings £'000	OLB £'000	VPE £'000	Infra-structure £'000	Community Assets £'000	Asset Under Const-ruction £'000	Total PPE £'000
<b>Cost or Valuation</b>							
At 1 April 2009	443,483	57,954	3,187	3,454	1,233	-	509,311
Additions	5,790	418	798	92	-	1,224	8,322
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	(2,128)	(50)	(12)	-	(1,216)	-	(3,406)
Assets reclassified (to)/from	-	24	1,192	-	-	-	1,216
Impairment	(9,236)	-	-	-	-	-	(9,236)
Revaluation Gains	58,055	4,556	-	-	-	-	62,611
Revaluation losses	(13,432)	(1,282)	-	-	-	-	(14,714)
<b>At 31 March 2010</b>	<b>482,532</b>	<b>61,620</b>	<b>5,165</b>	<b>3,546</b>	<b>17</b>	<b>1,224</b>	<b>554,104</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2009	-	(1,923)	(2,089)	(532)	(345)	-	(4,889)
Depreciation charge	(7,868)	(1,099)	(574)	(304)	(2)	-	(9,847)
Depreciation written out to the Revaluation Reserve	-	590	-	-	-	-	590
Derecognition - disposals	35	3	12	-	-	-	50
Assets reclassified (to)/from	-	(4)	(338)	-	342	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	332	-	-	-	-	332
<b>At 31 March 2010</b>	<b>(7,833)</b>	<b>(2,101)</b>	<b>(2,989)</b>	<b>(836)</b>	<b>(5)</b>	<b>-</b>	<b>(13,764)</b>

## Key:

OLB - Other Land and Buildings

VPE – Vehicles, Plant and Equipment

PPE – Property, Plant and Equipment

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation.

- Council dwellings, multi-occupied dwellings and other buildings are depreciated under component accounting, where appropriate, as follows:
  - Land – no depreciation
  - Structure and pitched roofs: 50 years
  - Kitchens and Bathrooms: 20 years
  - Electrics/heating/flat roofs: 10 years
- Other land and buildings – 30-60 years
- Vehicles, plant and equipment, and intangible assets – 3 to 35 years
- Infrastructure – 5-20 years

# Notes to the Accounts

## Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction and enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £26.6 million. Similar commitments at 31<sup>st</sup> March 2010 were £3.8 million.

The major commitments are:

- Westminster Lodge £23.8 million of which £14.5 million is expected to be spent in 2011/2012
- Housing - £2.8 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 are 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

### 13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2009/2010 £'000		2010/2011 £'000
(1,022)	Rental income from investment Property	(540)
580	Direct Expenses arising from Investment property	259
<b>(442)</b>	<b>Net Gain/ (Loss)</b>	<b>(281)</b>

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

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

2009/2010 £'000		2010/2011 £'000
8,128	<b>Balance at start of year:</b>	8,128
-	- Purchases	-
-	- Disposals	-
-	- Net loss from fair value adjustments	(75)
-	- Transfers to/from Property, Plant and Equipment	-
<b>8,128</b>	<b>Balance at end of the year</b>	<b>8,053</b>

# Notes to the Accounts

## 14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets consist of purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be used by the Authority.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £162,261.43 charged to revenue in 2010/11 was charged to the IT Service cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2009/2010 £'000		2010/2011 £'000
	<b>Balance at start of year:</b>	
1,302	Gross carrying amount	1,528
(795)	Accumulated amortisation	(1,042)
<b>507</b>	<b>Net carrying amount at start of year</b>	<b>486</b>
227	Purchases	202
-	Disposals	-
(247)	Amortisation for the period	(162)
<b>487</b>	<b>Net carrying amount at end of year</b>	<b>526</b>
	<b>Comprising:</b>	
1,529	Gross carrying amount	1,730
(1,042)	Accumulated amortisation	(1,204)
<b>487</b>		<b>526</b>

There is one item of capitalised software that is individually material to the financial statements:

In 2010/11 the Authority entered into a contract of the replacement of its servers. The new system is anticipated to be operational in 2011/12, with a budgeted cost of £100k.

# Notes to the Accounts

## 15. Financial Instruments

### Categories of Financial Instruments

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

#### Long Term

At 31 March 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
		<b>Investments</b>	
1	1	Loans and receivables	1
<b>1</b>	<b>1</b>	<b>Total investments</b>	<b>1</b>
		<b>Borrowings</b>	
-	(1,500)	Financial liabilities at amortised cost	(1,500)
<b>-</b>	<b>(1,500)</b>	<b>Total borrowings</b>	<b>(1,500)</b>

#### Short Term

At 31 March 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
		<b>Investments</b>	
		<b>Loans and receivables</b>	
8,168	1,014	Investments	1,004
10,142	7,654	Cash and Cash Equivalents	7,979
<b>18,310</b>	<b>8,668</b>	<b>Total investments</b>	<b>8,983</b>
		<b>Debtors</b>	
743	756	Financial assets carried at contract amounts	1,030
<b>743</b>	<b>756</b>	<b>Total debtors</b>	<b>1,030</b>
		<b>Borrowings</b>	
-	-	Financial liabilities at amortised cost	(1,000)
<b>-</b>	<b>-</b>	<b>Total borrowings</b>	<b>(1,000)</b>
		<b>Creditors</b>	
(615)	(621)	Trade Creditors	(641)
<b>(615)</b>	<b>(621)</b>	<b>Total creditors</b>	<b>(641)</b>

## Notes to the Accounts

### Fair Value of assets and liabilities

Financial liabilities and 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.

Short term loans, debtors and creditors, bank deposits and investments are carried at cost as this is a fair approximation of their value.

The long term loan of £1.5 million is a fixed rate loan at 4.65% over 25 years. There were no up front costs and therefore the carrying value has been used for the fair value.

### Income, Expense, Gains and Losses

Financial Liabilities: measured at amortised cost			Financial Assets: loans and receivables			2009/2010 Total			Financial Liabilities: measured at amortised cost			Financial Assets: loans and receivables			2010/2011 Total		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
4	-	4							69	-	69						
4	-	4							69	-	69						
-	(245)	(245)							-	(210)	(210)						
-	(245)	(245)							-	(210)	(210)						
4	(245)	(241)							69	(210)	(141)						

## Notes to the Accounts

### 16. Long Term Debtors

At 31 March 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
20	19	Advances to external borrows - General Fund	19
36	31	Mortgages - Housing Revenue Account	28
187	174	Economic Development Loan	156
187	182	Employees' car loans/leasing	136
8,493	9,241	Internal Debt - General Fund	10,159
(8,493)	(9,241)	Less Internal Debt - Housing Revenue Account	(10,159)
<b>430</b>	<b>406</b>	<b>Total</b>	<b>339</b>

### 17. Inventories

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

At 31 March 2009 £'000	At 31 March 2010 £'000		Consumable Stores At 31 March 2011 £'000	Goods for Sale at 31 March 2011 £'000	Total At 31 March 2011 £'000
76	56	Balance outstanding at start of year:	6	63	69
(20)	13	Movement	(3)	(10)	(13)
<b>56</b>	<b>69</b>	<b>Balance at end of the year</b>	<b>3</b>	<b>53</b>	<b>56</b>

## Notes to the Accounts

### 18. Short Term Debtors

At 31 March 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
		Amounts falling due within the next year :	
1,909	2,589	Government department NNDR*	3,276
640	297	Government departments other	628
220	68	Other Local Authorities	517
209	248	Advance payments/bookings	232
260	290	Council Tax/National NNDR costs	305
393	460	Council Tax arrears	484
8	6	Mortgages (repayments within 1 year)	4
728	771	Housing Rents	756
903	1,177	Sundry Debtors	896
<b>5,270</b>	<b>5,906</b>		<b>7,098</b>
		Less: Provision for doubtful debts	
(334)	(362)	Collection Fund	(386)
(247)	(305)	Housing Rents	(277)
(113)	(164)	Sundry Debtors	(244)
<b>4,576</b>	<b>5,075</b>	<b>Total Short Term Debtors</b>	<b>6,191</b>

\* NNDR – National Non- Domestic rates (Business Rates)

	Provision for Doubtful Debts			
	Collection Fund £'000	Housing Rents £'000	Sundry Debtors £'000	Total £'000
	<b>Balance at 1 April 2010</b>	362	305	164
Additional provisions made in 2010/11	37	47	80	164
Amounts used in 2010/11	(13)	(75)	-	(88)
<b>Balance at 31 March 2011</b>	<b>386</b>	<b>277</b>	<b>244</b>	<b>907</b>



## Notes to the Accounts

### 19. Cash and Cash Equivalents

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

At 31 March 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
3	3	Cash held by the Council	3
1,636	98	Bank Current Accounts	(229)
8,503	7,553	Short-term deposits	8,205
<b>10,142</b>	<b>7,654</b>	<b>Total Cash and Cash equivalents</b>	<b>7,979</b>

### 20. Short Term Creditors

At 31 March 2009 £'000	At 31 March 2010 £'000		At 31 March 2011 £'000
459	557	Central government bodies	624
6,033	380	Other local authorities	644
4,948	4,691	General Creditors	5,566
1,599	582	Receipts in advance	543
<b>13,039</b>	<b>6,210</b>	<b>Total</b>	<b>7,377</b>

### 21. Other Long Term Liabilities

Other Long Term Liabilities is the amount owing to the pension fund, payable in 2012/2013 and beyond, in relation to the pension strain arising from redundancies and early retirements. The amount is reconciled to the Employment Reserve in note 23 below.

### 22. Usable Reserves

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

## Notes to the Accounts

### 23. Unusable Reserves

2009/2010 £'000	2009/2010 £'000		2010/2011 £'000
19,072	68,652	Revaluation Reserve	72,397
485,753	469,826	Capital Adjustment Account	370,938
(618)	(253)	Financial Instruments Adjustment Account	(15)
215	208	Deferred Capital Receipts Reserve	203
(29,802)	(58,815)	Pensions Reserve (note 39)	(33,517)
156	135	Collection Fund Adjustment Account	124
(565)	(488)	Employment reserve	(342)
<b>474,211</b>	<b>479,265</b>	<b>Total Unusable Reserves</b>	<b>409,788</b>

# Notes to the Accounts

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

2009/2010 £'000		2010/2011 £'000
19,072	<b>Balance at 1 April</b>	68,652
64,067	Upward revaluation of assets	56,832
(13,129)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(48,461)
	Previous year impairment written back	(850)
<b>50,938</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or deficit on the Provision of Services</b>	<b>7,521</b>
(1,168)	Difference between fair value depreciation and historical cost depreciation	(3,370)
(190)	Accumulated gains on assets sold or scrapped	(406)
<b>(1,358)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,776)</b>
<b>68,652</b>	<b>Balance at 31 March</b>	<b>72,397</b>

# Notes to the Accounts

## 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 Authority 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 Authority.

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

2009/2010 £'000	Capital Adjustment Account	2010/2011 £'000
485,753	<b>Balance at 1 April</b>	469,826
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(9,352)	Charges for depreciation and impairment of non-current assets	(12,408)
-	Reversal of previous year Impairment	850
(11,751)	Revaluation losses on Property, Plant and Equipment	(94,520)
(247)	Amortisation of intangible assets	(162)
(1,517)	Revenue expenditure funded from capital under statute	(922)
(2,234)	Amount 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	(3,274)
1,167	Excess depreciation (current value over historic cost)	3,370
170	Voluntary Revenue Provision	-
<b>(23,764)</b>	<b>Sub-total charges</b>	<b>(107,066)</b>
189	Adjusting Amounts written out of the Revaluation Reserve	406
<b>(23,575)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(106,660)</b>
	<b>Capital Financing applied in the year:</b>	
867	Use of the Capital Receipts Reserve to finance new capital	923
4,914	Use of the Major repairs Reserve Reserve to finance new capital expenditure	5,141
261	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	513
573	Transferred from Earmarked Reserves	-
1,033	Application of grants to capital financing from the Capital Grants Unapplied Account Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,270
<b>7,648</b>	<b>Sub-total capital financing</b>	<b>7,847</b>
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(75)
<b>469,826</b>	<b>Balance at 31 March</b>	<b>370,938</b>

## Notes to the Accounts

### Financial Instruments Adjustment Account (FIAA)

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the HRA balance via the Movement in Reserves Statement (adjustment between accounting basis and funding basis under regulations) over the period of the unexpired term that was outstanding on the loans when they were redeemed. This ensures that the expense is posted back to the HRA Balance in accordance with statutory arrangements for spreading the burden on council house tenants. As a result, the final charge to the HRA will be £15,080 2011/12.

2009/2010 £'000		2010/2011 £'000
618	<b>Balance at 1 April</b>	253
(365)	Proportion of premiums incurred in previous years to be charged against the HRA Balance in accordance with statutory requirements	(238)
253	<b>Balance at 31 March</b>	15

### 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 Authority 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 Authority makes employer's contributions to pension funds or eventually pays 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 Authority 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.

## Notes to the Accounts

### Pensions Reserve

2009/2010 £'000		2010/2011 £'000
29,802	<b>Balance at 1 April</b>	58,815
27,640	Actuarial gains and losses on pension assets and	(15,410)
4,729	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	(7,170)
(3,356)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,718)
<b>58,815</b>	<b>Balance at 31 March</b>	<b>33,517</b>

### 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.

2009/2010 £'000		2010/2011 £'000
215	<b>Balance at 1 April</b>	208
	Capital Repaid	
(7)	Mortgages	(5)
-	Loan	-
<b>208</b>	<b>Balance at 31 March</b>	<b>203</b>

## Notes to the Accounts

### Collection Fund Adjustment Account

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

2009/2010 £'000		2010/2011 £'000
156	<b>Balance at 1 April</b>	135
(21)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(11)
<b>135</b>	<b>Balance at 31 March</b>	<b>124</b>

### Employment Reserve

The Employment Reserve manages the differences arising from the recognition of pension strain costs due to early retirements and redundancies in the Comprehensive income and Expenditure Statement and the payments made to the pension fund.

2009/2010 £'000		2010/2011 £'000
565	<b>Balance at 1 April</b>	488
86	Additional pension strain relating to in year early retirements or redundancies	17
(163)	Pension Strain written off on payment	(163)
(77)	Net Adjustment taken to Adjustment Account (note 7)	(146)
<b>488</b>	<b>Balance at 31 March</b>	<b>342</b>



## Notes to the Accounts

The balance on the Employment Reserve reflects the amount owing to the pension fund and is matched by liabilities as follows.

2009/2010		2010/2011
£'000		£'000
163	Included in Short Term Creditors	167
325	Other Long Term Liabilities	175
<b>488</b>		<b>342</b>

### 24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/2010		2010/2011
£'000		£'000
55	Interest paid	122
(245)	Interest received	(210)

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

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

2008/2009		2010/2011
£'000		£'000
	<b>Non Cash Transactions</b>	
21,103	Depreciation and impairments	106,078
247	Amortisations	162
-	Write down of Investment Properties	75
1,296	Pension fund adjustments	(10,034)
2,234	Carrying amount of non-current assets sold	3,274
170,402	Carrying amount of short and long term investments	164,650
(14)	(Increase)/decrease in stock	13
185	(Increase)/decrease in debtors	(386)
(1,736)	(Decrease)/increase in creditors	332
158	(Decrease)/increase in interest debtor	10
<b>193,875</b>	<b>Total non-cash movements</b>	<b>264,174</b>

## Notes to the Accounts

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

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

2009/2010 £'000		2010/2011 £'000
(1,631)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,441)
(170,402)	Proceeds from short-term and long term investments	(162,950)
(2,948)	Capital grants credited to the surplus or deficit on the provision of services	(1,484)
<b>(174,981)</b>	<b>Net adjustment</b>	<b>(166,875)</b>

### 27. Cash Flow Statement – Investing Activities

2009/2010 £'000		2010/2011 £'000
(8,004)	Purchase of property, plant and equipment, investment property and intangible assets	(8,352)
(163,405)	Purchase of short-term and long-term investments	(164,650)
1,411	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,229
170,402	Proceeds from short-term and long term investments	162,950
3,059	Capital grants received	1,623
242	Other capital cash income	235
<b>3,705</b>	<b>Net cash flows from investing activities</b>	<b>(5,965)</b>

### 28. Cash Flow Statement – Financing Activities

2009/2010 £'000		2010/2011 £'000
1,500	Cash receipts of short- and long-term borrowing	1,000
(6,334)	Council Tax and NNDR adjustments	(423)
<b>(4,834)</b>	<b>Total cash flow from financing activities</b>	<b>577</b>

# 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 *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's cabinet on the basis of budget reports analysed across services. 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.

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

Income and Expenditure 2010-11							
	Environment and Regulatory Services £'000	Culture and Community Development £'000	Planning and Building Control £'000	Housing Services £'000	Legal and Democratic Services £'000	Finance and Internal Audit £'000	Total £'000
Fees, charges & other service income	(5,038)	(899)	(1,333)	(23,601)	(1,131)	(347)	(32,349)
Government grants	(1,390)	(673)	-	(232)	(6)	(35,077)	(37,378)
<b>Total Income</b>	<b>(6,428)</b>	<b>(1,572)</b>	<b>(1,333)</b>	<b>(23,833)</b>	<b>(1,137)</b>	<b>(35,424)</b>	<b>(69,727)</b>
Employee expenses	2,338	1,646	2,501	2,696	1,665	2,339	13,185
Other operating expenses	8,589	4,443	818	15,324	1,926	36,074	67,174
Support Service Recharges	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>10,927</b>	<b>6,089</b>	<b>3,319</b>	<b>18,020</b>	<b>3,591</b>	<b>38,413</b>	<b>80,359</b>
<b>Net Expenditure</b>	<b>4,499</b>	<b>4,517</b>	<b>1,986</b>	<b>(5,813)</b>	<b>2,454</b>	<b>2,989</b>	<b>10,632</b>

## Notes to the Accounts

Income and Expenditure 2009-10 Comparative Figures							
	Environment and Regulatory Services £'000	Culture and Community Development £'000	Planning and Building Control £'000	Housing Services £'000	Legal and Democratic Services £'000	Finance and Internal Audit £'000	Total £'000
Fees, charges & other service income	(4,679)	(902)	(1,189)	(23,141)	(1,001)	(271)	(31,183)
Government grants	(1,281)	(575)	(342)	(286)	-	(32,719)	(35,203)
<b>Total Income</b>	<b>(5,960)</b>	<b>(1,477)</b>	<b>(1,531)</b>	<b>(23,427)</b>	<b>(1,001)</b>	<b>(32,990)</b>	<b>(66,386)</b>
Employee expenses	1,944	1,474	1,977	2,529	1,504	2,056	11,484
Other operating expenses	9,200	5,268	1,889	15,347	1,639	34,124	67,467
Support Service Recharges	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>11,144</b>	<b>6,742</b>	<b>3,866</b>	<b>17,876</b>	<b>3,143</b>	<b>36,180</b>	<b>78,951</b>
<b>Net Expenditure</b>	<b>5,184</b>	<b>5,265</b>	<b>2,335</b>	<b>(5,551)</b>	<b>2,142</b>	<b>3,190</b>	<b>12,565</b>

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

The following table reconciles the net expenditure in the analysis of service income and expenditure above to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2009-2010 £000's		2010-2011 £000's
12,565	Cost of Services in Service Analysis	10,632
4,380	Add services not included in main analysis	4,225
19,874	Add amounts not reported to management	93,731
420	Remove amounts reported to management not included in Cost of Services in Comprehensive Income and Expenditure Statement	311
<b>37,239</b>	<b>and Expenditure Statement</b>	<b>108,899</b>

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 depreciation, impairment and revaluation of assets and support service recharges.

# Notes 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.

2010-2011									
	Service Analysis £'000	Services not in Main Analysis £'000	Not reported to Management £'000	Not included in COS in Cl&ES £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000	Note
Fees, charges & other service income	(32,349)	(26)	-	2,548	-	(29,827)	(4,178)	(34,005)	
Service charges	-	-	(7,953)	-	-	(7,953)	-	(7,953)	
Interest and investment income	-	-	-	-	-	-	(210)	(210)	10
Income from council tax	-	-	-	-	-	-	(12,746)	(12,746)	11
Government grants and contributions	(37,378)	(450)	-	-	-	(37,828)	(8,878)	(46,706)	34
<b>Total Income</b>	<b>(69,727)</b>	<b>(476)</b>	<b>(7,953)</b>	<b>2,548</b>	<b>-</b>	<b>(75,608)</b>	<b>(26,012)</b>	<b>(101,620)</b>	
Employee expenses	13,185	2,528	-	(435)	-	15,278	435	15,713	
Other service expenses	67,174	2,173	-	(1,454)	-	67,893	1,454	69,347	
Support Service recharges	-	-	6,398	(324)	-	6,074	324	6,398	
Depreciation, amortisation and impairment	-	-	106,241	(24)	-	106,217	99	106,316	7
Interest Payments	-	-	-	-	-	-	122	122	10
Pension adjustment	-	-	(10,955)	-	-	(10,955)	1,812	(9,143)	10
Precepts & Levies	-	-	-	-	-	-	2,233	2,233	9
Payments to Housing Capital	-	-	-	-	-	-	1,170	1,170	7
Receipts Pool	-	-	-	-	-	-	-	-	
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	1,050	1,050	9
<b>Total operating expenses</b>	<b>80,359</b>	<b>4,701</b>	<b>101,684</b>	<b>(2,237)</b>	<b>-</b>	<b>184,507</b>	<b>8,699</b>	<b>193,206</b>	
<b>Surplus or deficit on the provision of services</b>	<b>10,632</b>	<b>4,225</b>	<b>93,731</b>	<b>311</b>	<b>-</b>	<b>108,899</b>	<b>(17,313)</b>	<b>91,586</b>	

## Notes to the Accounts

2009-2010									
	Service Analysis £'000	Services not in Main Analysis £'000	Not reported to Management £'000	Not included in COS in CIBES £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000	Note
Fees, charges & other service income	(31,183)	(114)	-	2,004	-	(29,293)	(8,964)	(38,257)	
Service charges	-	-	(9,108)	-	-	(9,108)	-	(9,108)	
Interest and investment income	-	-	-	-	-	-	(245)	(245)	10
Income from council tax	-	-	-	-	-	-	(12,705)	(12,705)	11
Government grants and contributions	(35,203)	(141)	-	-	-	(35,344)	(3,987)	(39,331)	34
<b>Total Income</b>	<b>(66,386)</b>	<b>(255)</b>	<b>(9,108)</b>	<b>2,004</b>	<b>-</b>	<b>(73,745)</b>	<b>(25,901)</b>	<b>(99,646)</b>	
Employee expenses	11,484	2,410	-	(364)	-	13,530	364	13,894	
Other service expenses	67,467	2,225	-	(959)	-	68,733	959	69,692	
Support Service recharges	-	-	7,632	(237)	-	7,395	237	7,632	
Depreciation, amortisation and impairment	-	-	21,350	(24)	-	21,326	24	21,350	7
Interest Payments	-	-	-	-	-	-	55	55	10
Pension adjustment	-	-	-	-	-	-	3,363	3,363	10
Precepts & Levies	-	-	-	-	-	-	2,188	2,188	9
Payments to Housing Capital	-	-	-	-	-	-	862	862	7
Receipts Pool	-	-	-	-	-	-	-	-	
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	863	863	9
<b>Total operating expenses</b>	<b>78,951</b>	<b>4,635</b>	<b>28,982</b>	<b>(1,584)</b>	<b>-</b>	<b>110,984</b>	<b>8,915</b>	<b>119,899</b>	
<b>Surplus or deficit on the provision of services</b>	<b>12,565</b>	<b>4,380</b>	<b>19,874</b>	<b>420</b>	<b>-</b>	<b>37,239</b>	<b>(16,986)</b>	<b>20,253</b>	

# Notes to the Accounts

## 30. Trading Operations

2009/2010		Trading Operations	2010/2011	
£'000	£'000		£'000	£'000
(699)	531	The Authority operates a street market in St Albans City centre on Wednesdays and Saturdays. There are additional market days for Farmers and Continental Markets and at Christmas. The Market Trading Account also includes street trader income.	Turnover	(702)
	(168)		Expenditure	651
			Surplus	(51)
(602)	359	The Authority owns various shops and business premises that are let on a commercial basis	Turnover	(733)
	(243)		Expenditure	411
			Surplus	(322)
(1,171)	1,151	Parking Enforcement covers on- street parking in the District. The service includes residents' parking zones, highway parking zones for shoppers, tourists and business visitors.	Turnover	(1,112)
	(20)		Expenditure	1,174
			Deficit	62
	(431)	<b>Net Surplus on Trading Operations</b>		<b>(311)</b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. In the case of Corporate Property, where part of the surplus occurs from recharges to headings in the Cost of Services sub-total in the Comprehensive Income and Expenditure Statement, the surplus is credited back to the appropriate heading leaving a residual net surplus on trading operations charged as Financing and Investment income and Expenditure (see note 10). This is reconciled as follows:

	2010/2011	2009/2010
	£'000	£'000
Net Surplus on Trading Operations	(311)	(431)
Services to the public included in Expenditure of Continuing Operations	-	-
Support Services recharged to Expenditure of Continuing Operations	-	-
<b>Net Surplus credited to Other Operating Expenditure</b>	<b>(311)</b>	<b>(431)</b>

## Notes to the Accounts

### 31. Members' Allowances

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

2009/2010 £000	Members' Allowances	2010/2011 £000
438	Allowances	434
3	Expenses	1
<b>441</b>	<b>Total</b>	<b>435</b>



# Notes to the Accounts

## 32. Officers' Remuneration

The remuneration paid to the Authority's senior employees is shown below.

Post Title	Notes	Salary, fees and allowances £'000	Compensation for Loss of Office £'000	Benefits in kind £'000	Total Remuneration excluding pension contributions £'000	Employer's pension contribution £'000	Total Remuneration including pension contributions £'000
<b>Chief Executive</b>	<b>2010/11</b>	<b>105</b>		<b>7</b>	<b>112</b>	<b>29</b>	<b>141</b>
	2009/10	105		7	112	29	141
<b>Chief Finance Officer</b>	<b>2010/11</b>	<b>83</b>		-	<b>83</b>	<b>22</b>	<b>105</b>
	2009/10	83		-	83	22	105
<b>Chief Policy and Partnership Officer</b>	<b>2010/11</b>	<b>82</b>		-	<b>82</b>	<b>22</b>	<b>104</b>
	2009/10	80			80	22	102
<b>Head of Legal, Democratic Services and Regulatory Services</b>	<b>2010/11</b>	<b>80</b>		<b>5</b>	<b>85</b>	<b>24</b>	<b>109</b>
	2009/10	76		5	81	22	103
<b>Head of Housing</b>	<b>2010/11</b>	<b>59</b>		<b>6</b>	<b>65</b>	<b>16</b>	<b>81</b>
	2009/10	57		7	64	16	80
<b>Head of Environmental and Regulatory Services</b>	<b>2010/11</b>	<b>57</b>		<b>5</b>	<b>62</b>	<b>16</b>	<b>78</b>
	2009/10	57		5	62	15	77
<b>Head of Community Services</b>	<b>2010/11</b>	<b>58</b>		<b>6</b>	<b>64</b>	<b>16</b>	<b>80</b>
	2009/10	56		6	62	15	77
<b>Head of Information and Communications Technology</b>	<b>2010/11</b> Note i	-		-	-	-	-
	2009/10	56		7	63	15	78
<b>Head of Human Resources, Customer Services and IT</b>	<b>2010/11</b>	<b>73</b>		-	<b>73</b>	<b>16</b>	<b>89</b>
	2009/10	37		1	38	10	48
<b>Head of Planning and Building Control</b>	<b>2010/11</b>	<b>65</b>		-	<b>65</b>	<b>17</b>	<b>82</b>
	2009/10	14			14	4	18
<b>2010/11 Totals</b>		<b>662</b>	-	<b>29</b>	<b>691</b>	<b>178</b>	<b>869</b>
<b>2009/10 Totals</b>		<b>621</b>	-	<b>38</b>	<b>659</b>	<b>170</b>	<b>829</b>

Note i: The Head of Information and Communications Technology left on 31/7/10 and the post was disestablished with the responsibilities for IT transferred to the Head of Human Resources, Customer Services and IT.

Note ii: The Head of Human Resources and Customer Services Development left on 29/05/09 (annualised salary £56,227) and a new post holder commenced on 05/10/09.

Note iii: The Head of Planning & Building Control commenced on 11/01/10 (annualised salary £64,000). The post was vacant prior to this date.

## Notes to the Accounts

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

2009/2010 Number ex. redundancies	2009/2010 Number inc. redundancies		2010/2011 Number ex. redundancies	2010/2011 Number inc. redundancies
		Remuneration		
11	11	£50,000 - £54,999	7	8
-	-	£55,000 - £59,999	2	4
-	-	£60,000 - £64,999	-	1
1	2	£65,000 - £69,999	1	3
-	-	£70,000 - £74,999	1	3
-	-	£75,000 - £79,999	-	1
-	-	£100,000 - £104,999	-	1
-	-	£110,000 - £115,998	-	3
-	-	£110,000 - £115,999	-	1
-	-	£116,000 - £119,999	-	-
-	-	£120,000 - £124,999	-	1
<b>12</b>	<b>13</b>	<b>Total</b>	<b>11</b>	<b>26</b>

### 33. External Audit Costs

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

2009/2010 £'000		2010/2011 £'000
140	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the current year	137
6	Fees payable to the Audit Commission with regard to additional external audit services carried out by the appointed auditor for the prior year	12
47	Fees payable to the Audit Commission for the certification of grant claims and returns	33
<b>193</b>		<b>182</b>

## Notes to the Accounts

### 34. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/2011

2009/2010 £'000		2010/2011 £'000
	<b>Credited to Taxation and Non specific grant income</b>	
6,199	Non-Domestic Rates Redistribution	6,695
1,431	Revenue support Grant	972
26	Non-Ringfenced Grants	160
2,530	Capital Grants	1,051
<b>10,186</b>	<b>Sub-Total</b>	<b>8,878</b>
	<b>Credited to services</b>	
24,839	Rent Allowances & Benefits	27,207
-	LABGI	42
6,541	Council tax benefits	6,703
690	Benefits Administration Grant	683
123	Planning Delivery Grant	-
217	Performance Reward Grant	265
46	Homelessness Grant	30
244	Supporting People Grant	201
2,644	Other contributions	2,697
<b>35,344</b>	<b>Sub-Total</b>	<b>37,828</b>
<b>45,530</b>	<b>Total</b>	<b>46,706</b>

The Authority 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. The balances at the year end are as follows:

31 March 2010 £'000		31 March 2011 £'000
	<b>Capital Grants Received in Advance</b>	
162	Section 106 advances	303
<b>162</b>	<b>Total Grants received in advance</b>	<b>303</b>

# Notes to the Accounts

## 35. Related Parties

The Authority 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 Authority.

### Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the in Note 34.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/2011 is shown in Note 31. During 2010/11, no works, services or grants were made to any Companies or voluntary organisations in which members declared an interest.

### Officers

During 2010/2011 no officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

### Entities Controlled or Significantly Influenced by the Authority

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

The Council has an agreement with five other Hertfordshire Authorities for the running of the West Herts. 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 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 St Albans 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

### 36. 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/2010		2010/2011
£'000		£'000
<b>8,229</b>	<b>Opening Capital Financing Requirement</b>	<b>10,477</b>
	<b>Capital investment</b>	
8,322	Property, Plant and Equipment	8,641
227	Intangible assets	202
1,517	Revenue Expenditure funded from Capital under Statute	922
<b>10,066</b>		<b>9,765</b>
	<b>Less Sources of Finance</b>	
867	Capital Receipts	923
876	Government Grants	1,557
122	Third Party Contributions	86
35	Lottery Grant	-
4,914	Major Repairs Reserve	5,141
260	Leaseholders Recharge	140
574	Other reserves	-
-	Capital Reserve	-
170	Minimum Revenue Provision	-
<b>7,818</b>		<b>7,847</b>
<b>10,477</b>	<b>Closing Capital Financing Requirement</b>	<b>12,395</b>

## Notes to the Accounts

2009/2010 £'000	Explanation of movements in year	2010/2011 £'000
918	Increase in underlying need to borrow (supported by Government financial assistance)	918
1,500	Increase in underlying need to borrow (unsupported by Government financial assistance)	1,000
(170)	Voluntary Revenue Provision	-
<b>2,248</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>1,918</b>

### 37. Leases

#### Authority as Lessee

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

2009/2010 £'000		2010/2011 £'000
17	Not later than one year	6
6	Later than one year and not later than five years	6
-	- Later than five years	-
<b>23</b>		<b>12</b>

The expenditure charged to the Comprehensive I&E Statement during the year in relation to these leases was:

2009/2010 £'000		2010/2011 £'000
-	- Other Land and Buildings	-
23	Vehicles, Plant, Furniture & Equipment	23
<b>23</b>		<b>23</b>

# Notes to the Accounts

## Operating Leases

The Authority 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:

2009/2010 £'000		2010/2011 £'000
30	Not later than one year	274
629	Later than one year and not later than five years	533
536	Later than five years	410
<b>1,195</b>		<b>1,217</b>

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 2010/2011 the rent receivable by the Authority was £1,217,204 (2009/10 £1,195,375).

## 38. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11 who were made redundant as part of the Authority's rationalisation of Service. Redundancy costs of £855,477.05 (£47,160 in 2009/10) have been charged to the Cost of Services and are shown as a liability in the Balance Sheet, the amount being payable over the course of 2011/12 to various officers.

# 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 Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.



## Notes to the Accounts

### 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 via the Movement in Reserves Statement.

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:

2009/2010 £'000		2010/2011 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
1,116	- Current Service Cost	1,973
27	- Past Service Cost/(credit)	(10,955)
60	- Settlements and Curtailments	-
<i>Financing and Investment Income and Expenditure</i>		
5,380	- Interest cost	6,189
(1,854)	- Expected return on scheme assets	(4,377)
<b>4,729</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Surplus or Deficit on the Provision of Services</b>	<b>(7,170)</b>
<i>Other Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</i>		
27,640	<b>Actuarial (gains) and losses</b>	(15,410)
<b>27,640</b>	<b>Total Post Employment Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement</b>	<b>(15,410)</b>
<b>Movement in Reserves Statement</b>		
(4,729)	Reversal of net charges made to the Surplus or deficit for the Provision of Services for employment benefits in accordance with the Code	7,170
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
3,356	Employers' Contributions payable to the scheme	2,718

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is £24,025 million.

# Notes to the Accounts

## Assets and Liabilities in Relation to Post-employment Benefits

### Reconciliation of present value of the scheme liabilities

The closing balance on the following table is the present value, without deducting any plan assets, of expected future payments required to settle the pension obligations of past and current employees.

2009/2010 £'000		2010/2011 £'000
78,836	<b>Opening balance at 1 April</b>	122,108
1,116	Current Service Cost	1,973
5,380	Interest Cost	6,189
619	Contributions by scheme participants	620
39,641	Actuarial (gains) and losses	(17,142)
(3,571)	Benefits Paid	(4,785)
27	Past Service Costs/(Credit)	(10,955)
60	Curtailments	-
<b>122,108</b>	<b>Closing Balance 31 March</b>	<b>98,008</b>

The changes during the year are defined in note 1.7c to the accounts. The past service credit arises from the change in annual public sector pension inflation factor from RPI to the generally lower CPI.

### Reconciliation of fair value of the scheme assets:

The closing balance on the following table is the present value of the expected future payments required to settle the pension obligations of past and current employees.

2009/2010 £'000		2010/2011 £'000
49,034	<b>Opening balance at 1 April</b>	63,293
1,854	Expected rate of return	4,377
12,001	Actuarial gains and (losses)	(1,732)
3,356	Employer contributions	2,718
619	Contributions by scheme participants	620
(3,571)	Benefits paid	(4,785)
<b>63,293</b>	<b>Closing Balance 31 March 2011</b>	<b>64,491</b>

The changes during the year are defined in note 1.7c to the accounts.

# Notes to the Accounts

## Scheme history

	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(98,008)	(122,108)	(78,836)	(79,816)	(92,063)
Fair values of assets in the scheme	64,491	63,293	49,034	62,917	65,726
<b>Deficit in the scheme</b>	<b>(33,517)</b>	<b>(58,815)</b>	<b>(29,802)</b>	<b>(16,899)</b>	<b>(26,337)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £33,517 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority 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.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £2.571 million.

### Basis for Estimating assets and liabilities

Liabilities have been assessed on 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 2010.

## Notes to the Accounts

The principal assumptions used by the actuary have been:

31 March 2010		31 March 2011
	<b>Long-term expected rate of return on assets in the scheme</b>	
7.8%	Equity investments	7.5%
5.0%	Bonds	4.9%
5.8%	Property	5.5%
4.8%	Cash	4.6%
	<b>Mortality assumptions</b>	
	Longevity at 65 for current pensioners	
22.7	Men	21
26.1	Women	23.8
	Longevity at 65 for future pensioner pensioners	
24.8	Men	22.9
28.3	Women	25.7
3.8%	Rate of inflation	2.8%
5.3%	Rate of increase in salaries	5.1%
7.0%	Rate of increase in pensions	6.8%
5.5%	Rate for discounting scheme liabilities	5.5%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2010 %		31 March 2011 %
71	Equity Investments	73
19	Bonds	19
10	Other Assets	8
<b>100</b>		<b>100</b>

## Notes to the Accounts

### History of Experience Gains and Losses

The actuarial gains identified as movements of Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
	%	%	%	Restated %	* %
Difference between the expected and actual return on assets	-2.7%	19.9%	-40.0%	-11.1%	0.2%
Experience gains and losses on liabilities	17.5%	0.0%	0.0%	-3.9%	0.0%

\* The council has elected not to restate fair value of scheme assets for 2006/07 as permitted by FRS17 (as revised).

## 40. Contingent Liabilities

- i) The Authority is part way through a Job Evaluation process. This may give rise to a liability under equal pay legislation. However, at this stage, the timing and amount of any liability is unknown.
- ii) The Authority has received a cost claim for £251,000 from Helioslough. We are disputing the amount claimed.
- iii) The Council has been given notice of a compensation claim from Amalgamated Personal Property Searches Ltd in respect of restitution for fees charged for personal property searches since 1st January 2005 and for breach of the Competition Act 1998. The claim is for £100 million and is against 400 local authorities and St Albans and District Council is named as one of the defendants. We estimate our potential liability to be £120,000.

# Notes to the Accounts

## 41. Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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 Authority's customers.

The Authority 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 Authority. 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 Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £8,982,888 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 Authority's deposits, but there was no evidence at 31 March 2011 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 Authority.

## Notes to the Accounts

The Authority generally allows its customers 14 days credit. Of the £1,030,104 (2009/2010 £756,000) outstanding from customers, £609,000 (2009/2010 £713,000) is past due and this is analysed by age as follows :

31 March 2010 £'000	Trade Debtors Ageing	31 March 2011 £'000
279	Less than 3 months overdue	32
67	3 to 6 months overdue	242
193	7 months to 1 year overdue	110
174	More than 1 year overdue	225
<b>713</b>		<b>609</b>

### Liquidity Risk

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

There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The maturity analysis of financial liabilities is as follows:

31 March 2010 £'000	Maturity Analysis of Financial Liabilities	31 March 2011 £'000
-	Less than one year	1,000
-	Between one and twenty years	-
1,500	More than twenty years	1,500
<b>1,500</b>		<b>2,500</b>

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

# Notes to the Accounts

## Market Risk

The Authority 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 0.844%, and if interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on investments by £190,500.

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



## 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.

2009/2010 £'000		2010/2011 £'000
	<b>Expenditure</b>	
3,483	Repairs and Maintenance	3,341
5,255	Supervision and Management	5,180
192	Rents, Rates, Taxes and other charges	194
9,480	Negative HRA subsidy payable	9,978
18,671	Depreciation and impairment of non-current assets	103,905
9	Debt Management costs	11
87	Movement in the allowance for bad debts	47
<b>37,177</b>	<b>Total Expenditure</b>	<b>122,656</b>
	<b>Income</b>	
(21,604)	Dwelling rents	(22,051)
(1,142)	Non-dwelling rents	(1,164)
(181)	Charges for services and facilities	(236)
(47)	Contributions towards expenditure	(37)
(244)	Other Government Grants	(201)
<b>(23,218)</b>	<b>Total Income</b>	<b>(23,689)</b>
<b>13,959</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>98,967</b>
38	HRA services' share of Corporate and Democratic Core	36
<b>13,997</b>	<b>Net Cost of HRA Services</b>	<b>99,003</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>	
760	Gain on sale of HRA non-current assets	693
80	Interest payable and similar charges	79
(24)	Interest and investment income	(27)
564	Pension interest cost and expected return on pension assets	(72)
(371)	Other Income	(646)
<b>15,006</b>	<b>Deficit for the year on HRA services</b>	<b>99,030</b>

## 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 Authority is required to account for its statutory housing activity on a different accounting basis, the main differences being:

- The difference between the calculated depreciation on HRA assets and the Housing Subsidy Major Repairs Allowance has to be adjusted back into the balance for the year; and
- The gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- Any impairment on HRA assets, 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.

2009/2010 £'000		2010/2011 £'000
(1,163)	<b>Balance on the HRA at the end of the previous year</b>	(1,180)
15,006	Deficit for the year on the HRA Income and Expenditure Statement	99,030
	<b>Adjustments between accounting basis and funding basis under statute</b>	
(10,699)	Transfer from the Capital Adjustment Account for the impairment of non-current assets	(93,372)
(4,094)	Transfer from Major Repairs Reserve	(6,648)
365	Annual amortisation of the premiums and discounts in the Financial Instruments Adjustment Account	238
(760)	Gain on sale of HRA non-current assets	(693)
371	Capital grants and Contributions Applied	432
-	Other Capital Receipts	214
(206)	HRA share of contributions to or from the Pensions Reserve	290
<b>(17)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(509)</b>
	<b>Transfers to or (from) reserves</b>	
-	Transfer to the Capital receipts Reserve	-
<b>(17)</b>	<b>(Increase)/decrease in year on the HRA</b>	<b>(509)</b>
<b>(1,180)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(1,689)</b>

# Housing Revenue Account – Notes to the Accounts

## 1. Analysis and Value of the Housing Stock

### a) Number and Types of Dwelling in the housing stock

The Authority was responsible for managing 5,206 dwellings as at 31 March 2011 as follows:

31 March 2010		31 March 2011
	One bedroom dwellings	
333	- Houses and Bungalows	327
1,321	- Flats	1,324
	Two bedroom dwellings	
537	- Houses and Bungalows	536
885	- Flats	885
	Three bedroom dwellings	
1,965	- Houses and Bungalows	1,957
29	- Flats	27
	Four or more bedroom dwellings	
92	- Houses and Bungalows	93
91	Multi-occupied dwellings	57
<b>5,253</b>		<b>5,206</b>

On 31 March 2011, 3.22% (2010 – 2.97%) of lettable properties were vacant.

The change in stock can be summarised as follows:

2009/2010		2010/2011
5,293	Stock at 1 April	5,253
(7)	Less: Right to buy sales	(9)
(33)	Reclassifications and other disposals	(38)
<b>5,253</b>	Stock at 31 March	<b>5,206</b>

Reclassifications include conversions and change in use of property.

## Housing Revenue Account – Notes to the Accounts

### b) Balance Sheet Values

HRA dwellings are valued using the Beacon basis whereby all properties are linked to a 'beacon' property and valued in line with the change in value of the 'beacon'. All beacon properties were revalued in 2010/2011. 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 was reduced from 45% in 2009/2010 to 35% in 2010/2011.

31 March 2010 £'000		31 March 2011 £'000
474,699	Dwellings	383,622
4,180	Garages	4,275
<b>478,879</b>	<b>Operational Assets</b>	<b>387,897</b>
3,091	Non-Operational Assets (Shops etc)	3,091
<b>481,970</b>		<b>390,988</b>

### c) Vacant Possession Value

The Vacant Possession Value is the Authority'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 1 April 2010 £'million		At 31 March 2011 £'million
997	Vacant possession value - HRA dwellings	1,074

## Housing Revenue Account – Notes to the Accounts

### 2. Major Repairs Reserve

The Reserve came into operation in 2001/2002 and reflected a change in the subsidy regime in that year. A credit to the reserve, the Major Repairs Allowance, is received as part of the subsidy scheme and the reserve is used to fund capital expenditure on council dwellings. The movement in the reserve was as follows:

2009/2010 £'000		2010/2011 £'000
(2,469)	<b>Opening Balance 1 April</b>	(1,277)
	Transfer to Reserve in year	
(7,927)	Depreciation Dwellings	(10,479)
(45)	Depreciation Non-Dwellings	(53)
4,094	Transferred to HRA in year	6,648
<b>(3,878)</b>	<b>Sub-total (equivalent to MRA in note 6)</b>	<b>(3,884)</b>
170	Voluntary MRP	-
4,914	Used to fund capital expenditure in year	5,141
(14)	Interest Received	(5)
<b>(1,277)</b>	<b>Closing Balance at 31 March</b>	<b>(25)</b>

### 3. Capital Expenditure

- a) Capital expenditure on the improvement of Council dwellings, including equipment and infrastructure was as follows:

2009/2010 £'000		2010/2011 £'000
2,476	Kitchens and bathrooms	2,208
682	Disabled adaptations	367
308	External walls and roofing	1,352
568	Windows and doors	97
1,147	Heating, wiring and plumbing	2,174
205	Conversions and extensions	73
404	Other	244
<b>5,790</b>	<b>Council Dwellings Additions</b>	<b>6,515</b>

## Housing Revenue Account – Notes to the Accounts

b) This was financed as follows:

2009/2010 £'000		2010/2011 £'000
4,914	Major Repairs Reserve	5,141
869	Supported capital Borrowing	918
-	Capital Receipts Reserve	316
7	Grants and contributions	140
<b>5,790</b>	<b>Capital additions</b>	<b>6,515</b>

c) The Authority has capital contract commitments as at 31 March 2011 of £2.749 million relating to Housing Investment Programme schemes.

### 4. Capital Receipts

Spendable capital receipts from the disposal of Housing Revenue Account assets accrue to the General Fund. In accordance with the requirements of the Local Authorities (Capital Finance and Accounting)(England) Regulations, the Authority pays 75.0% of capital receipts from the disposal of housing assets to the National Pool. The number of council house sales was 9 (7 in 2009/2010). The following table shows the movements on the capital receipts reserve for the year.

2009/2010 £'000		2010/2011 £'000
1,132	House sales (subject to pooling)	1,521
270	Land sales	23
45	Other poolable receipts	21
72	Non-poolable receipts	878
<b>1,519</b>	<b>Gross capital receipts</b>	<b>2,443</b>
(61)	Less Costs	(5)
	Payable to National Pool	
(833)	For current year	(1,163)
(29)	For prior year	3
<b>596</b>	<b>Retained capital receipts</b>	<b>1,278</b>

The Housing Capital receipt balance on 31 March 2011 was £8,218,237 (2010 £7,872,882).

# Housing Revenue Account – Notes to the Accounts

## 5. Depreciation

The Authority's housing stock has been componentised and the components depreciated on a straight-line basis. Land and buildings is split on a 33:67 basis with the building portion further split into 3 main component groups with estimated lives of 50, 20 and 10 years to ascertain the depreciation charge.

<b>Charged</b> <b>2009/2010</b> <b>£'000</b>		<b>Charged</b> <b>2010/2011</b> <b>£'000</b>
	<b>Operational Assets</b>	
7,925	Dwellings	10,479
48	Garages	53
	<b>- Non-Operational Assets</b>	<b>-</b>
<b>7,973</b>		<b>10,532</b>

## 6. Impairment

An impairment of £93.372 million (2009/2010 £10.699 million) is shown in the income statement. This relates to the reduction in the social housing factor from 45% to 35%. In 2010/2011 the valuers estimate that property values have remained stable and therefore no general impairment is considered necessary. Where properties had Revaluation Reserve balances, these were used to absorb the impairments with the balances not absorbed charged to the HRA. Impairments are charged to the HRA then reversed out in the Statement of Movement on the HRA and therefore there is zero effect on the HRA balance

## Housing Revenue Account – Notes to the Accounts

### 7. HRA Subsidy

The Housing Subsidy Determination issued by the Government each year sets out how subsidy is to be calculated. Components of subsidy include both positive elements (e.g. management and maintenance allowances etc.) and negative elements (e.g. rent income etc.). If the net result shows a positive figure the Authority's Housing Revenue Account receives a subsidy of that amount from the Government but if the net result shows a negative figure the Authority is required to pay that amount to the Government. The table below shows the calculation of the subsidy payable:

2009/2010 £'000		2010/2011 £'000
	<b>Notional expenditure</b>	
8,107	Management and Maintenance	8,253
3,878	Major Repairs Allowance	3,884
595	Charges for capital	512
<b>12,580</b>	<b>Total notional expenditure</b>	<b>12,649</b>
	<b>Notional Income</b>	
(22,057)	Rents	(22,515)
(3)	Interest on receipts	(1)
<b>(22,060)</b>	<b>Total notional income</b>	<b>(22,516)</b>
-	(Under)/Over paid prior year	(111)
<b>(9,480)</b>	<b>Total Negative HRA Subsidy payable to the Government</b>	<b>(9,978)</b>



# Housing Revenue Account – Notes to the Accounts

## 8. Pension Costs

Pension costs have been shown in accordance with FRS 17.

Full details of the pension costs for the whole Authority are included within Note 47 to the Core Financial Statements.

2009/2010 £'000		2010/2011 £'000
	Net Cost of Services:	
192	- Current Service Cost	357
	Net Operating Expenditure:	
861	- Interest Costs	(246)
(296)	- Expected return on assets in the scheme	174
<b>757</b>	<b>Net charge to the HRA</b>	<b>285</b>
	Amounts to be met from Government Grants and Local taxation:	
(206)	- movement on pensions reserve	290
	<i>Actual amount charged against Council tax for pensions in the year:</i>	
<b>551</b>	<b>Employers' contributions payable to the scheme</b>	<b>575</b>

## 9. Rent Arrears and Bad Debts

### a) Arrears

2009/2010 £'000		2010/2011 £'000
771	Arrears at 31 March	756
3.4%	Rent arrears as a percentage of gross rent income	3.3%

### b) Bad Debts

2009/2010 £'000		2010/2011 £'000
247	Bad debts provision at 1 April	305
(29)	Debts written off in the year	(75)
87	Increase/(decrease) in provision	47
<b>305</b>	<b>Bad debt provision at 31 March</b>	<b>277</b>

# Housing Revenue Account – Notes to the Accounts

## 10. Rent Rebates

Assistance with rents for those on low incomes is available under the Housing Benefits Scheme. 52.6% (2009/2010 50.9%) of the Authority's rents receivable are by way of benefits. Rent rebates are chargeable to the General Fund.

## 11. Interest Payable Premiums and Discounts

When the Authority repaid its external debt in 2001/2002 it was required to pay a premium to the lender and the original premium charged of £3.610 million is being written off over 10 years. The balance on the Financial Instruments Adjustment Account represents the balance of the premium, as at 31 March, still to be written off. In 2010/2011 £238,000 has been written off to the HRA leaving a balance of £15,000 in the FIAA as at 31 March 2011, which will be charged to the HRA in the next year.

An equivalent amount is received in subsidy from the government, as a reduction in the negative subsidy payable, so the net impact on the HRA is nil.

<b>2009/2010</b>		<b>2010/2011</b>
<b>£'000</b>		<b>£'000</b>
<b>618</b>	<b>Balance at 1 April</b>	<b>253</b>
(365)	Proportion of premiums incurred in previous years to be charged against the HRA Balance in accordance with statutory requirements	(238)
<b>253</b>	<b>Balance at 31 March</b>	<b>15</b>

# 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 billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of the council tax and non-domestic rates.

2009/2010		2010/2011
£'000		Note      £'000
	<b>Income</b>	
(83,885)	Council Tax	1      (84,452)
(6,496)	Transfers from the General Fund - Council tax benefits	(6,643)
(56,913)	Income collectable from business ratepayers	2      (56,017)
<b>(147,294)</b>	<b>Amounts required by statute to be credited to the Collection Fund</b>	<b>(147,112)</b>
	<b>Expenditure</b>	
	Precepts and Demands:	
67,966	Hertfordshire County Council	68,339
8,676	Hertfordshire Police Authority	9,029
12,570	St Albans District Council (including Parishes)	12,630
<b>89,212</b>		<b>89,998</b>
56,392	Business rates - Payment to the national pool	55,458
521	- Costs of collection	559
<b>56,913</b>		<b>56,017</b>
63	Impairment of debts/appeals - write-offs of uncollectable amounts	93
213	- allowance for impairment	180
<b>276</b>		<b>273</b>
1,445	Contributions towards previous year's estimated Collection Fund surplus	3      674
<b>147,846</b>	<b>Total Expenditure</b>	<b>146,962</b>
<b>552</b>	<b>Movement on Fund balance</b>	<b>(150)</b>
(1,281)	Balance at 1 April brought forward	(729)
<b>(729)</b>	<b>Balance at 31 March carried forward</b>	<b>4      (879)</b>
	<b>Fund balance carried forward allocation:</b>	
(135)	St Albans District Council (included in reserves)	(124)
(594)	Precepting Authorities (included in creditors)	(755)
<b>(729)</b>	<b>Total carried forward</b>	<b>(879)</b>

# Collection Fund – Notes to the Accounts

## 1. 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, Hertfordshire Police Council, 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).

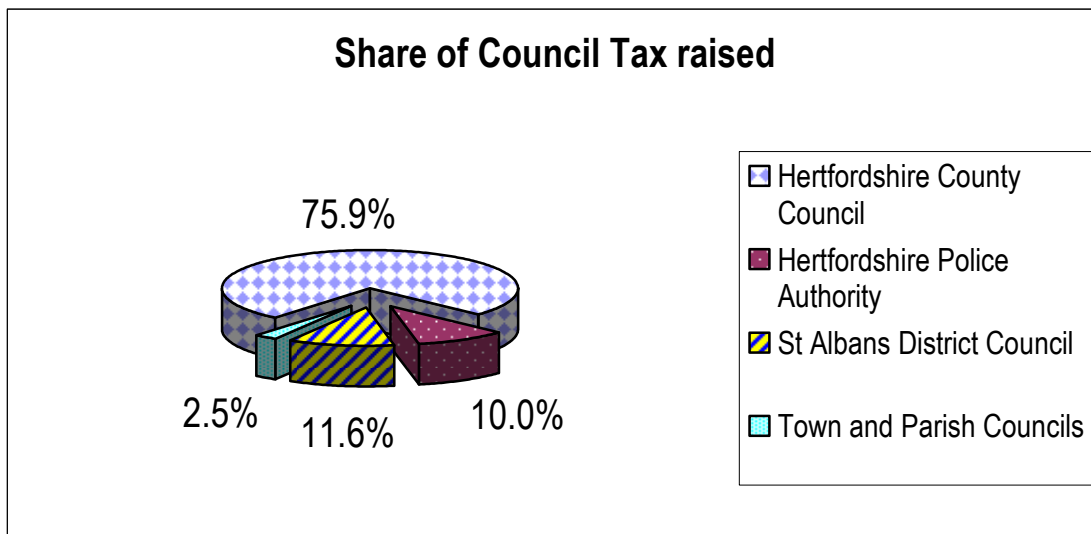
Taxes for other bands are derived by applying the ratios in the following table to the band D tax.

Band	Property Value	Number of dwellings	Ratios	Band D equivalents
A	up to £40,000	733	0.67	491
B	between £40,001 and £52,000	2,317	0.78	1,807
C	between £52,001 and £68,000	7,408	0.89	6,593
D	between £68,001 and £88,000	13,937	1.00	13,937
E	between £88,001 and £120,000	11,438	1.22	13,954
F	between £120,001 and £160,000	8,166	1.44	11,759
G	between £160,001 and £320,000	6,680	1.67	11,156
H	over £320,000	1,001	2.00	2,001
		51,680		61,698
Less adjustment for non-collection (1.0%)				(617)
<b>Council Tax Base for 2010/2011</b>				<b>61,081</b>
Council Tax Base for 2009/2010				60,747

Council Tax Levy at Band D by Precepting Council:

2009/2010		2010/2011
£1,118.83	- Hertfordshire County Council	£1,118.83
£142.82	- Hertfordshire Police Authority	£147.82
£170.91	- St Albans District Council	£170.22
<b>£1,432.56</b>		<b>£1,436.87</b>
£36.02	- Add Town and Parish Councils	£36.56
<b>£1,468.58</b>	<b>Average Council tax Levy at Band D</b>	<b>£1,473.43</b>

## Collection Fund – Notes to the Accounts



### 2. Income From Business Rates (NNDR)

The Authority collects non-domestic rates for its area based on local rateable values multiplied by an amount specified by Central Government (the non-domestic rating multiplier). The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. A share of the pool based on a standard amount per head of the local population is paid back to the Authority. This amount is paid to the General Fund ('Non-Domestic Rates redistribution' in the Income and Expenditure Account) and not to the Collection Fund.

2009/2010		2010/2011	
£ 133,661,012	Rateable value at 31 March 2010 per Valuation Office Agency	£ 159,284,868	
48.5p	NNDR rate poundage	41.4p	
48.1p	Small business rate NNDR	40.7p	

### 3. Contributions to Collection Fund Surpluses and Deficits

Each January, the Authority estimates what the Collection Fund balance will be on 31 March. If there is an estimated surplus or deficit, it has to be shared between, or recovered from, the Authority and the major precepting authorities during the following year. It was estimated that there would be a surplus at 31 March 2010 and this was distributed in 2010/2011 in proportion to the precepts paid in 2009/2010 as follows:

## Collection Fund – Notes to the Accounts

2009/2010 £'000		2010/2011 £'000
	<b>Precepting Authorities</b>	
1,144	- Hertfordshire County Council	484
145	- Hertfordshire Police Authority	63
156	- St Albans District Council	127
<b>1,445</b>	<b>Total surplus</b>	<b>674</b>

### 4. Fund Balance Carried Forward Allocation

The surplus/deficit arising on the Collection Fund will be distributed/ recovered in two parts – the estimate of the surplus for 2010/11 (made in January 2011) will be shared on the basis of the proportionate make up of the bills for the 2010/2011 year of account. The difference between this estimate and the outturn in the 2010/2011 Statement of Accounts will be shared according to the proportionate make up of the bills for the 2011/2012 year of account.

This results in the following allocation:

2009/2010 £'000		2010/2011 £'000
526	- Hertfordshire County Council	668
68	- Hertfordshire Police Authority	87
<b>594</b>	<b>Precepting Authorities balance</b>	<b>755</b>
135	- St Albans District Council (including Town & Parish Councils)	124
<b>729</b>	<b>Total Collection Fund Surplus</b>	<b>879</b>

In accordance with the accounting Code of Practice, the 'precepting authorities balance' above has been amalgamated with the precepting authorities' shares of the council tax arrears, impairment provision and prepayments and the net balance included in short term creditors in the Balance Sheet.

# Annual Governance Statement

## ST ALBANS CITY AND DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT 2010/11

### **Scope of responsibility**

St Albans City and District Council 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, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has developed a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”.

A copy of the code can be obtained from The Monitoring Officer, Legal, Democratic and Regulatory Services, St Albans City and District Council, Civic Centre, St Peter’s Street, St Albans, Hertfordshire AL1 3JE.

This Annual governance statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **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 efficiently, effectively and economically.

# Annual Governance Statement

The governance framework described in this statement has been in place at St Albans City and District Council for the year ended 31 March, 2011 and up to the date of approval of the statement of accounts.

## The Council's governance arrangements

Full details of the Council's Governance Arrangements are included in the Authority's code of corporate governance, but key systems and processes are summarised below.

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. The authority's vision and priorities have been developed to reflect citizens' views on what they want from their local area and Council – through feedback from the 2010 Community Survey, the 2008/2009 Place Survey and other resident/stakeholder consultation events. They are also influenced by the area's Sustainable Community Strategy and national and local political priorities. They are implemented through the corporate and service planning processes of the Council.

The vision and priorities of the Council are reviewed following the Authority's elections which are held on a three out of every four year cycle. Following the elections held on 5 May 2011 there has been a change in administration. At their meeting held on 7 June 2011 Cabinet agreed in principle new aims and priority actions for 2011/2012. A new corporate plan 2011/16 was presented to and approved by Cabinet and Council in July 2011.

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 wraparound news sheet (Community News) which is produced in partnership with a local newspaper, posters, leaflets, and the Council website. They are promoted internally through new staff and councillor induction and staff briefing 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 (set locally and nationally) and reporting of key performance indicators through a budget and performance summary (to the Council's Cabinet, Overview and Scrutiny (Internal Performance) Committee and Chief Executive's Board).

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) and consultation (e.g. in housing, environment, leisure and planning services). 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 politicians, 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.



# Annual Governance Statement

The Council sets the Budget and Corporate Plan in February each year. Operational management of the council, based upon its strategies, is undertaken by officers, in consultation with elected members.

The constitution includes financial regulations and a scheme of delegation which defines financial decision making, and these are regularly updated. 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 Chief Finance Officer 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

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 where the officers are aware that there is a high public profile or significant political dimension, which do not meet the definition of "key". These are called significant decisions and are recorded and published.

There are two Overview and 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. Overview and 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 the Council on forthcoming decisions and the development of policy. The Overview and Scrutiny Committees may convene working parties to assist them in their workload.

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

Detail about roles and responsibilities of members and officers, and the split between executive functions, which are exercised by Cabinet members and non executive functions is given through Article 7 of the constitution, and setting out of local choice functions in Part 3. Also, detail about officer roles is given in job descriptions, which are used in performance management of 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.

# Annual Governance Statement

The role of scrutiny is set out fully in the constitution and supporting documentation and induction training given to councillors and officers. Training is given to staff and councillors, as necessary and relevant, on roles and responsibilities.

The member/officer relationship is subject to a protocol which is distributed to all members and staff and the subject of induction training. This is set out in the constitution. Behaviour is subject to the Officers' Code of Conduct. Performance of members is subject to the Members' Code of Conduct. There is also a complaints procedure for concerns about Councillors, via the Council's Standards Committee.

As well as the financial, legal and audit regulations in place, other arrangements for **monitoring in the authority** include contract and procurement, whistle blowing, fraud response and counter fraud policies and procedures. The Council has taken on its new responsibilities under the Bribery Act. Contracts over £250,000 are monitored in relation to contract procedure by the Audit Committee.

The Council's **complaints' procedure** ensures that service users and citizens are able to gain 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. A review of the current complaints procedure in 2010 identified a number key improvements. These improvements include: developing the Council's Customer Relationship Management system to capture complaints; reducing the number of stages within the complaints process from three to two and introducing a "Single Point of Contact" for complaints via the Customer Service Centre.

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 members. 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 individuals' 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/group settings. Electronic copies of training (PowerPoint or video) are made available to councillors should they be unable to attend a course. All councillors receive 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 New Local Government Network (NLGN) website. 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 members are elected to the authority, they are assigned a head of service “buddy” who helps them navigate through the organisation and give advice and support on any aspect of the member 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 has a communications strategy in place which sets out principles for the Council’s communications generally and includes an implementation plan focusing on a number of key deliverables to improve both external and internal communications in 2010/11. A communications plan is also developed for all key corporate projects. Planning is carried out as to how to communicate with staff, councillors and residents on each of these projects.

SADC is a partner organisation of the St Albans District Strategic Partnership, formerly the Local Strategic Partnership (‘LSP’). The Sustainable Community Strategy was created by the LSP. The St Albans Strategic Partnership (the ‘SP’) has a communications strategy in place to ensure that it provides information in a transparent way as possible. A key part of this is the annual Community Conference, to which a wide number of stakeholders and community representatives are invited, and at which an annual progress report on the SP’s delivery of the Sustainable Community Strategy is presented. It is also an opportunity for the community to give feed back on and shape the SP’s priorities over the coming year.

The Council communicates information to the public through a variety of mechanisms including the following – Corporate Plan and Annual Report, Council Tax leaflet, Community News, website, service and issue based leaflets.

Every effort is made for Council meetings to consider issues in public unless there are very good reasons for confidentiality. Currently Planning meetings, Full Council, Cabinet and Overview and Scrutiny Committee meetings are webcast to enable the public to view these remotely.

# Annual Governance Statement

Comprehensive arrangements are in place to **research citizens' views and consult them** on policies and proposals of the Council. A bi-annual survey of service satisfaction and corporate reputation is carried out most recently the Place Survey in 2008 and Community Survey in 2010. A representative sample of residents makes up a Community Panel of over 1000. The Community Panel is consulted on major initiatives and projects, such as budget making, using both quantitative and qualitative methodologies. Individual service departments are able to draw upon the Panel for their own consultation activities.

New mechanisms for liaison, consultation and communication have been set up as part of the Council's Review of Democratic Arrangements, namely the St Albans City Forum and Parish Consultative Conference. Other area and topic specific meetings for parks/leisure and specific services such as housing ensure that service users are consulted and informed. Partnership meetings for the Strategic Partnership and the Community Safety Partnership, for example, are ways in which statutory and voluntary partners work together and are engaged.

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, which details, in particular, the approach the Council is using in its Local Development Framework process. Housing initiatives have included invitation of tenants onto 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 and 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 need to preserve confidentiality, where it is proper and appropriate to do so.

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 Strategic Partnership has a constitution in place which states the purpose of the SP, its structure, how it works, the roles and responsibilities of member partners and arrangements for monitoring the work of the partnership and its finances. The constitution is regularly updated. There is provision in the Strategic Partnership constitution for the leader of the District Council to be the chair or vice chair of the Local Strategic Partnership, as well as seats for all main parties on the SP Board which helps to strengthen the democratic accountability of the Partnership. Induction training is held for all new members of the SP. Accountability to the community is ensured through the annual Community Conference, and annual reports on the SP's progress on the Sustainable Community Strategy.

# Annual Governance Statement

Other thematic partnerships, such as the Community Safety Partnership have in place terms of reference which refer to the responsibilities of the partnership and individual members. This Partnership has been assessed by the Audit Commission as being of a very high standard.

With regards to internal audit:

- Internal Audit operate a risk based process to decide which areas to audit
- The Internal Audit Manager is the Chair of SADC's Risk Management Group and the Anti Fraud Group
- Management receive draft Internal Audit reports which are discussed with them and recommendations agreed
- The Internal Audit Manager is permitted (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 2010 / 2011 were submitted to the Audit Committee for consideration. Members have asked questions to the Internal Audit Manager about the contents of these reports

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 within the Internal Audit section is of sufficient quality.

## 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 control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- review of executive decision making (Standards Committee)
- review of terms of reference of Committees
- review of Internal Audit activity (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

Concerning the effectiveness of **Internal Audit** activity, regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1<sup>st</sup> April 2006. This 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 (in SADC's case, the Audit Committee) or by the Authority as a whole.

# Annual Governance Statement

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 CIPFA Code of Practice for Internal Audit in Local Government 2006;
- the performance of the Audit Committee
- Quality Control Questionnaires (QCQs) which Internal Audit issue with every final report;
- statements made by the External Auditor;
- Performance Indicators;
- value for money assessment.

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.

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;
- 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 and Inspection Letter and other reports, especially in relation to financial aspects, and other aspects of the Council's governance which were amended in January and March 2011.
- review of Risk Registers

The Audit Committee has reviewed the above and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## ***Significant Governance Issues***

Governance issues to be addressed in the following year have been identified as in the table below. These draw on the work of Internal Audit and the Audit Commission.

The work of Internal Audit identified that:

- All network users are allocated to the Administrators group within active directory. To deal with this a Local administrator rights removal project has been initiated. All users, unless an administrator, will be removed from the Administrators group within Active Directory as a matter of urgency

# Annual Governance Statement

The work of the Audit Commission identified the need to ensure:

- Sufficient resources and good quality working papers to support the production of the financial statements. In response to this the staffing of the Financial Services Division has been reviewed and the resources available for closing of accounts strengthened. The Council has also made efforts to ensure that the financial statements and working papers have been subject to robust quality assurance by officers prior to approval by the Audit Committee
- That the work of Internal Audit is of sufficient quality and covers key financial systems before the financial statements are approved. This action has been taken in the run up to this year's process

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Executive Leader of the Council

Chief Executive

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

## Opinion on the Authority accounting statements

I have audited the accounting statements of St Albans City & District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of St Albans City & District Council 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.

## Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of St Albans City & District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.



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

## Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

### Authority's responsibilities

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.

### Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

### Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2011.

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

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am 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 ending 31 March 2011.

## Certificate

I certify that I 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.

Mark Hodgson  
District Auditor

Audit Commission, 3<sup>rd</sup> Floor, Eastbrook, Shaftesbury Road, Cambridge, CB2 8BF.

# Glossary of Terms

## Accounting Policies

The principles, bases, conventions rules and practices we apply 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

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that 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.

## Area Based Grant (formerly Local Area Agreement Grant - LAAG)

From the 2008/2009 financial year the LAAG has been replaced by the Area based Grant. This is a non-ringfenced general government grant.

## Best Value

A legislative requirement to review all of the Council's services over a period of time with a view to providing ongoing improvements in efficiency. Local Authorities have a duty to consult users, challenge service provision, compare and compete with other providers.

## Budget

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

## 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.

# Glossary of Terms

## **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.

## **Carry Forward**

The transfer of a surplus or deficit from one accounting period to the following accounting period (*generally from one financial year to the next*).

## **Cash Equivalent**

Short term deposits (under 3 months) easily convertible to cash.

## **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. Payments to, or receipts from, the non-domestic rates pool also go through the fund. Precepts are paid from the fund, as is charging the Council's own requirements.

## **Collection Fund Adjustment Account**

This account holds the difference between the income included in the I & E Account and the amount required by regulation to be credited to the General Fund.

# Glossary of Terms

## **Community Assets**

Assets that a local Council intends to hold in perpetuity, 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.

## **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 by the Audit Commission 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.

## **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 an Council to provide a framework within which its financial affairs are conducted.

# Glossary of Terms

## **FRS – Financial Reporting Standard**

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

## **General Fund (GF)**

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.

## **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) or a general fall in prices (e.g. a significant decline in an asset's market value).

## **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.

## **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

# Glossary of Terms

## **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 Council Business Growth initiative (LABGI)**

The Local Council 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. The minimum is 4% of outstanding debt for the General Fund. There is no longer a statutory requirement to repay HRA debt but the Council continues to make voluntary contributions equivalent to the 2% statutory requirement in force prior to 1 April 2005.

## **Negative Housing Subsidy**

Housing Subsidy calculations must accord with Government determinations. In cases where negative elements (e.g. rent income) exceed positive elements (e.g. capital charges) the Council is required to pay the net negative amount to the Government.

## **NNDR – National Non-Domestic rates**

Often called Business rates, these are rates charged on properties other than domestic properties. The business rate poundage is set annually by Central government and is a flat rate throughout the country.

## **Non-Current Assets**

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

## **Non-Operational Assets**

Non-Current Assets held by a local council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties held for letting.

## **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.

# Glossary of Terms

## **Performance Plan**

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

## **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 Hertfordshire Police Constabulary, who do not administer the council tax system, each levy an Amount on St Albans City and District 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*).



# Glossary of Terms

## **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.

## **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.