



# STATEMENT OF ACCOUNTS

2014/2015

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## STATEMENT OF RESPONSIBILITIES

The *Code of Practice on Local Authority Accounting in The United Kingdom* reflects the requirements of the *Accounts and Audit Regulations 2011*. The Council must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Council and the Chief Financial Officer for the Accounts.

### The Council's Responsibilities

The 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 the administration of those affairs. In this Council the Chief Financial Officer is the Director of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of Watford Borough Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Signed .....  
**Joanne Wagstaffe CPFA**  
**Director of Finance**

**Date: 28 September 2015**

Signed .....  
**Ian Brown**  
**Chairman of Audit Committee**

**Date: 28 September 2015**

# EXPLANATORY FOREWORD

## 1. Introduction

The purpose of this Foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the Statement of Accounts.

## 2. The Core Financial Statements

The accounts that follow this foreword contain four core financial statements:

- Statement of Movements in Reserves
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

For a definition of each statement see the Explanation of Core Financial Statements.

## 3. Changes to the Statement of Accounts

The Council shares its Revenues & Benefits, Finance, HR and ICT functions with Three Rivers District Council. From 1st April 2014 the Council adopted a lead authority model for HR and ICT and a new arrangement for a shared procurement service.

## 4. Contingent Assets and Liabilities

Note 33 to the Core Financial Statements gives details of contingent assets and liabilities. No exceptional or unusual items of income or expenditure have occurred. No material events affecting the accounts occurred after the year end up to 29 September 2015.

## 5. Revenue Activities

### ***Revenue Out-turn 2014/15***

For accounting purposes, the Council distinguishes between 'revenue' and 'capital' activities. (Capital activities are dealt with below). Revenue activities are included in the Comprehensive Income and Expenditure Statement and cover the day to day income and expenditure involved in providing services to the public. The Council holds a General Fund Balance, shown in the Statement of Movement in Reserves and on the Balance Sheet, which is available to support revenue expenditure and to which surpluses are added and from which any deficits are met.

## EXPLANATORY FOREWORD

The net cost of revenue activities is met by central government grant, a share of non-domestic rates (business rates) and by the council tax charge made to residents. This is set each February prior to the start of the financial year and takes into account the General Fund Balance and detailed estimates of income and expenditure. A comparison of outturn figures to budgets, therefore, often provides a better indication of financial stewardship than comparison to the prior year.

The General Fund balance of £1.350m (2013/14: £1.350m) will remain unchanged for the foreseeable future as it is the ultimate 'bail out' fund in the unlikely event that the Council were to get into financial difficulties.

The level of Council's Reserves has however increased by £2.780m (2013/14: £8.883m).

The major variances are:

- Income received from outstanding leisure management fees following conclusion of a mediation hearing £1.203m
- Underspend on staffing due to vacancies and restructuring £0.136m
- Underspend of £0.114m on the repairs and maintenance of operational buildings due to improved procurement and contract management
- Increase in planning fee income £0.344m
- Reduction in commercial rent received £0.230m and increase in business rates and operating costs for vacant premises £0.107m
- Net saving on benefit and allowances £0.310m
- Additional New Homes Bonus Funding £1.008m
- Surplus on the 2013/14 Collection Fund £0.257m

## EXPLANATORY FOREWORD

The table below compares the original budget for the year against the out-turn:

	2014/15	
	Original Net Budget £000	Net Outturn £000
<b>Service Area</b>		
Community and Customer Services	4,993	4,879
Corporate Strategy and Client Services	8,198	7,902
Democracy and Governance	1,984	1,715
Human Resources	0	0
Managing Director	1,017	1,113
Regeneration and Development	(1,311)	(2,543)
Strategic Finance	(288)	303
<b>Net General Fund</b>	<b>14,593</b>	<b>13,369</b>
<b>Funding</b>		
Council Tax	(7,523)	(7,956)
Council Tax Freeze Grant	(369)	(369)
Revenue Support Grant	(2,575)	(2,583)
Business Rate Growth	175	0
Business Rates	(2,331)	(2,116)
Homeless Grant	(276)	(276)
New Homes Bonus	(1,732)	(2,740)
Non Specific Grant	0	(61)
Small Business Rate Relief	0	(464)
<b>Total Funding</b>	<b>(14,631)</b>	<b>(16,565)</b>
Net General Fund less total funding	(38)	(3,196)
Transfers To / (From) Reserves	38	3,196
<b>(Surplus) / Deficit for the year</b>	<b>0</b>	<b>0</b>

# EXPLANATORY FOREWORD

## ***Future Revenue Expenditure & its Funding***

The Council ensures that its corporate, service and financial planning is closely linked so that resources are properly allocated to its priorities. The Council's aims and objectives are included within its Corporate Plan and reflected within the resource allocation process incorporated within the Medium Term Financial Strategy. The Corporate Plan is supported by individual Service Plans and there is a performance management framework which measures how the Council is performing against these plans. This information is available on the Council's website.

The Medium-Term Three-Year Financial Strategy is continually updated by regular budget monitoring. The plan assumes reductions in government grant over the next three years. Following a freeze in the average council tax charge for 2014/15, the Council is planning no Council Tax increases in the next three years. The levels of council tax and government grant are critical to the Council's future revenue streams.

Because of a change in Government policy in 2013/14, Government Grant has been partially replaced by retention of the Business Rates the Council collects. This change creates additional uncertainty in funding, as it places the emphasis on the Council to generate additional income by encouraging business regeneration. This means that the Council's share of any surplus or deficit on Business Rate collection, falls on the General Fund and, potentially the Council Tax payers in the following year.

## **1. Capital Activities**

### ***Capital Out-turn 2014/15***

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2014/15 is shown below:

	2014/15		
	Current Budget £000	Actual Out-turn £000	Variance (under) / overspend £000
Key Projects	5,669	4,883	(786)
Environmental Services	452	92	(360)
Community & Leisure Services	3,014	1,072	(1,942)
Housing Services	686	407	(279)
Parking Services	59	0	(59)
Asset Management	1,723	1,245	(478)
Information, Communication & Technology (ICT)	414	49	(365)
Information, Communication & Technology (Shared Services ICT)	929	9	(920)
Section 106 Funded Schemes	1,650	1,194	(456)
Corporate / Service Project Management	553	552	(1)
<b>Total</b>	<b>15,149</b>	<b>9,503</b>	<b>(5,646)</b>

# EXPLANATORY FOREWORD

The Council planned to complete schemes valued at £15.149m in 2014/15. The Council completed and funded £9.503m worth of work, £5.292m of which was funded from capital receipts, £1.941m from government grants and third party contributions and £2.270m from Earmarked Reserves. The creation of assets adds to their value and reduces cash holdings in the top half of the balance sheet. Their funding reduces the value of usable reserves and increases the value of unusable reserves in the bottom half of the balance sheet.

Key capital projects include the contribution to the New Market (£2.46m) and Cultural Quarter (£1.68m) as well as other developments in the area.

### ***Future Capital Expenditure and its Funding***

The Council's 2015/16 Original Budget was set at £9.92m of which £6.52m is to be funded from capital receipts, £3.31m from government grants and third party contributions and £0.09m from Reserves.

## Borrowing Facilities and Capital Borrowing

## 1. Pensions



## EXPLANATORY FOREWORD

### 2. Conclusion

#### ***The Council's Overall Financial Position***

The Council's Medium Term Financial Strategy has a primary focus to produce a sustainable budget (where expenditure and income are in balance) over a four year timescale. This includes council tax increases at or below the rate of inflation and a prudent level of reserves and balances. Reductions in government grant means that significant savings have had to be identified. The Council aims to achieve efficiency savings rather than cut levels of service.

In the current financial climate, the Council monitors on a regular basis the financial and budgetary risks that it faces. At the date of issue of this Statement of Accounts, no impairment has been made to assets although provisions for bad debts has been increased due to outstanding business rate appeals and the probability that other debtors may default.

In the longer term the Council will also have to address the impact on the revenue account of reduced interest income as capital receipts are used to fund capital expenditure.

In the meantime, reserves and balances are healthy. The General Fund balance and available usable earmarked reserves totalled £22.485m (2013/14: £21.975m). The Council also held £12.376m (2013/14: £13.701m) in capital receipts available for new capital expenditure.

The Council is constantly looking to improve its financial management and internal control. The Annual Governance Statement shows the steps the Council is taking to achieve this and to address the challenges brought about by changes to business rates, the local support to council tax and the introduction of benefit caps and universal credit.

***Joanne Wagstaffe CPFA***  
***Director of Finance***  
***30 June 2015***

# ANNUAL GOVERNANCE STATEMENT

## 1.0 Scope of Responsibility

- 1.1 Watford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. 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. A key aspect of this responsibility is the identification and management of risk.
- 1.2 Watford Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England) Regulations 2011.
- 1.3 Underpinning the Governance Statement is a framework which ensures corporate ownership at the very highest levels of management and is dynamic in responding to all governance issues as they occur. A key component of the Governance framework is the underlying system of internal control which 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.

## 2.0 Strategic Aims and Objectives

- 2.1 The governance framework enables the Council's key objectives to be met and these can be summarised as follows:

### **VISION:**

A successful town in which people are proud to live, work, study and visit.

### **OUR OBJECTIVES:**

- Making Watford a better place to live in
- To provide the strategic lead for Watford's sustainable economic growth
- Promoting an active, cohesive and well informed town
- Operating the Council efficiently and effectively

- 2.2 Underpinning these over arching priorities are a series of measurable (SMART) objectives so that every member of staff and our community can feel fully engaged in the process. The council also plays a major role in the Local Strategic Partnership, One Watford, which is made up of key stakeholders such as Hertfordshire County Council, Herts Valleys Clinical Commissioning Group, the Watford & West Herts Chamber of Commerce, Watford and Three Rivers Trust, Watford Community Housing Trust, and Hertfordshire Constabulary.

## 3.0 Decision Making Structures

- 3.1 Watford Borough Council has a directly elected Mayor, which means that the community elect the person to lead the council at four yearly intervals. The Mayor is supported by a Cabinet that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet has a portfolio for which they are responsible and can make decisions within their area of responsibility.
- 3.2 Watford Borough Council operates a Mayor and Cabinet model of governance under the Local Government Act 2000 this places total responsibility for those functions designated as Executive Functions into the hands of the directly elected Mayor. However full Council is responsible for setting the Council's budget and agreeing the key policy framework. The Council also has established an Overview and Scrutiny Committee, Budget Panel, Outsourced Services Scrutiny Panel and task groups to scrutinise the actions the Mayor and Cabinet and assist with policy development. In addition the Council has five further committees that cover non executive functions, these are Licensing, Development Management, Audit, Functions and Standards.

## ANNUAL GOVERNANCE STATEMENT

- 3.3 At an officer level, the senior management comprises the Managing Director and Heads of Service. Financial control will primarily be the responsibility of a shared Director of Finance with neighbouring Three Rivers District Council. This combined management comprises the Leadership Team who meet fortnightly to review and progress the key objectives of the council.
- 3.4 Overall financial control is monitored on a monthly basis by Leadership Team and the Budget Panel, and quarterly by Cabinet. Budget preparation is influenced by the Council's Medium Term Financial Strategy which forecasts budget pressures and available resources over a four year period. This MTFS is reported quarterly to Cabinet and Budget Panel where variations to the strategy are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts at the end of a financial year are subject to formal approval by the Audit Committee (but is also reported to Cabinet and Budget Panel).

### 4.0 The Governance Framework

- 4.1 The Council has a written constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens.
- 4.2 Council, Cabinet and committee / scrutiny meetings are open to the public and written reports are available to the public through the council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972.
- 4.3 The Council publishes its Corporate Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the Watford context based on information derived from sources such as Census 2011 and the Indices of Multiple Deprivation. Progress on the Plan is reported to the public through a quarterly magazine, About Watford, and includes an 'annual report' on the Council's achievements compared to its initial targets.
- 4.4 Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
- 4.5 The scrutiny function within a local authority provides a necessary check upon the role of the Executive and is a key component of corporate governance. At Watford it is co-ordinated through the Overview and Scrutiny Committee, which can review Cabinet decisions and service performance, the Council has set up an Outsourced Services Scrutiny Panel as a standing scrutiny panel to scrutinise the activities of functions undertaken by external providers on the council's behalf. In addition the Standards Committee considers member conduct and the Budget Panel considers financial issues in a non political forum. Finally, the Audit Committee reviews the overall governance arrangements including the service related control and risk management environment. The Audit Committee also considers the response to Freedom of Information requests, the Ombudsman's annual report, risk management, Regulation of Investigatory Powers Act as well as annual accounts and treasury management (investment) policies.
- 4.6 The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.

## ANNUAL GOVERNANCE STATEMENT

- 4.7 Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. These include:
- Members Code of Conduct
  - Code of Conduct for staff
  - Anti fraud and corruption policy (including whistle blowing and anti bribery)
  - Money Laundering detection guidance
  - Members and officer protocols
  - Regular performance appraisals, linked to service and corporate objectives
  - Service standards that define the behaviour of officers
  - A Standards Committee which has a key role in promoting and maintaining high standards of conduct for members
  - Officers are subject to the standards of any professional bodies to which they belong
- 4.8 The Head of Democracy and Governance is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
- 4.9 The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the council on financial planning.

### 5.0 Performance Management

- 5.1 Performance management follows very much a 'cascade' principle. The Council approves its Corporate Plan annually (although it covers a rolling four year perspective) and highlights key aspirations and targets including a series of objectives to be achieved in the year ahead. This Corporate Plan then cascades down to individual services delivery plans, which in turn translates into team and individual work plans. Performance is monitored regularly by Leadership Team and on a quarterly basis through Heads of Service, Cabinet Members and Overview and Scrutiny Committee. Performance reviews also include consideration of complaints and progress against the Council's equalities agenda.
- 5.2 The Council keeps residents and stakeholders informed of its progress through a quarterly publication called '*About Watford*' which is delivered to every household and covers key issues, events and challenges. At the end of every financial year the Council also produce an Annual Report, '*Look Back*', which informs the community of progress in the achievement of the Corporate Plan.

### 6.0 Data Quality and Risk Management

- 6.1 The need to develop policies and guidance on data quality and assurance is essential in order to promote consistency and awareness across the organisation. To that end, the Council has a senior member of staff who acts as the Senior Information Risk Officer. Guidance documents include a Data Quality Policy; an Information Security Policy; a Data Asset Register: and management training modules all of which are on the intranet.
- 6.2 The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually and approved by Leadership Team and the Audit Committee. This Strategy underpins the Strategic Risk Register which was updated and approved by the Audit Committee in March 2015 and covers major issues that will affect the achievement of the council's key objectives. This Risk Register is at a strategic/high level and is complemented by detailed project and service area registers. This Strategic Risk Register is reviewed by the Risk Management and Business Continuity Steering Group which meets bi-monthly and ensures a consistent approach to risk management across the Council.

## ANNUAL GOVERNANCE STATEMENT

- 6.3 Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.
- 6.4 The risk management section within the Partnership Framework has been revised and all committee reports contain a 'risk implications' section as an aid to decision taking. There is however a need to ensure an effective risk identification process occurs where the Council has outsourced the provision of services to a private sector partner.

### 7.0 Shared Services with Three Rivers District Council

- 7.1 Watford Borough Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Three Rivers District Council. Both councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.
- 7.2 In 2013/14 the Governance arrangements for shared services were exercised through a Joint Committee. From April 2014, the Governance arrangements for shared services has changed. An agreement between Watford Borough Council and Three Rivers District Council has introduced a lead authority model. Watford Borough Council are responsible for providing the services of ICT and human resources whilst Three Rivers District Council are responsible for providing financial services and revenues & benefits. An executive board of senior management from both councils are responsible for these services. The role of the Board covers:
- Monitoring performance and dealing with complaints from either authority
  - Resolving conflicts between competing interests amongst the authorities
  - Reviewing the governance arrangements
  - Dealing with matters referred up to it by the Operations Board
  - Having overall supervision of the Shared Service
  - Receiving annual reports on each service within the shared service.

### 8.0 Community Engagement

- 8.1 Corporate governance includes informing our community of the plans and aspirations of the council and is primarily communicated through its published Corporate Plan and the regular editions of 'About Watford'. The directly elected Mayor, Dorothy Thornhill MBE, takes the lead in ensuring there is open and effective community leadership and provides a focal point for individuals, communities, business and voluntary organisations to engage with the Council. The Mayor is also the Chair of the borough's Local Strategic Partnership, One Watford, which continues to lead on the successful delivery of the overall vision and objectives for the town and on effectively integrating partnership working and delivery.
- 8.2 The Council has established twelve neighbourhood forums, which mirror the borough's ward boundaries and each have a devolved budget of £2,500. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.
- 8.3 The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information through the Council magazine 'About Watford'.
- 8.4 A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey' with the borough's Citizens' Panel, which covers a range of areas relating to the Council's services and activities, including how it spends its money and prioritises areas for focus and improvement. The Citizens Panel is refreshed regularly to ensure it is representative of the Watford community and was reviewed in 2014/15. Local residents are also invited to attend the Mayor's regular information seminars, which help build understanding across a range of areas including Council finances and the implications for future service delivery. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community.

## 9.0 The Role of Audit and the Audit Committee

- 9.1 The governance framework and its compliance mechanisms must be distinguished from the role of audit which is to review the effectiveness of the compliance framework, not be a substitute for it.
- 9.2 The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee and to the Leadership Team.
- 9.3 External auditors, Grant Thornton, appointed by the Audit Commission, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and the periodic inspection of services such as revenues and benefits. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.
- 9.4 The Audit Committee's terms of reference are consistent with best practice. The Committee approves the annual plan of internal audit, and receives the quarterly and annual reports of the Head of the Shared Internal Audit Service. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and reviews the operation of treasury management. It also received the annual letter from the Ombudsman and considers regular reports upon Freedom of Information requests, risk management and the Regulation of Investigatory Powers Act.

## 10.0 Review of Effectiveness

- 10.1 In accordance with recent external audit guidance, the review of the effectiveness of the governance framework will focus upon significant weaknesses and the 'big picture'. If issues have not been highlighted then that is because current governance arrangements have proved fit for purpose.
- 10.2 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 Shared Internal Audit Services annual report and also by comments made by the external auditors and other review agencies and inspectorates. The Mayor and Portfolio Holders maintain a continuous review of the Council's policies, activities and performance of officers both through quarterly reviews and on a day to day basis.
- 10.3 The Annual Report of the Head of Assurance for the Shared Internal Audit Services has been reported to the Audit Committee at its meeting on 30 June 2015 and included the following statement . . . "In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based primarily on the work undertaken by the Council and reported in its Annual Governance Statement for 2014/15; and, the specific reviews of Risk Management and Corporate Governance carried out by SIAS over February and March 2015 both of which received overall Full Assurance opinion."
- The SIAS Annual Report provides a substantial assurance opinion on the adequacy and effectiveness of financial systems and a moderate assurance opinion on the adequacy and effectiveness of non financial systems in the internal control environment for the year ended 31 March 2015. There are no qualifications to this assurance.

## 11.0 Significant Governance Issues

The 'normal' running of Council business has and can be controlled through the governance framework detailed at sections 4 to 9 of this report. Specific issues identified within the 2014/15 Governance Statement are shown below:

## ANNUAL GOVERNANCE STATEMENT

No.	Issue	Action	Resolved	Lead	Update
1	The Disaster Recovery Plan is not current. The Council should take priority to ensure the kit list is updated and fit for purpose	The Council will ensure that the kit lists are updated and fit for purpose in conjunction with Capita who are responsible for Third party contracts for DR. Disaster Recovery and business continuity plans will be reviewed annually to ensure suitability, adequacy and effectiveness	X	Capita Account Director	The kit list has been updated. There is now a draft disaster recovery plan in place. This is to be reviewed by Officers before sign off. Revised Date: October 2015 <b><i>This will now be reviewed in light of the Council's decision to terminate the Capita contract</i></b>
2	The lack of an effective testing strategy for Disaster Recovery may mean that gaps and defects in the plan may not be identified	Once the kit lists are updated, DR tests will take place on critical systems and their key dependencies	X	Capita Account Director	This is yet to be Scheduled Revised Date: December 2015 <b><i>This will now be reviewed in light of the Council's decision to terminate the Capita contract</i></b>
3	There is insufficient evidence from Capita Secure Information Solutions Ltd (CSIS) to support the closure of actions to address performance issues	The CSIS account Director will agree a clear formal process for completion and closure of incidents within their team and gain formal approval of this process from the Council	X	Capita Account Director	This is scheduled to be completed in September 2015 <b><i>This will now be reviewed in light of the Council's decision to terminate the Capita contract</i></b>
4	Key Performance Indicators (KPI's) and the inclusive Service Level Agreements are not being met, having been agreed by both parties and appropriate financial penalties Are not being enforced	Discussions between the Council and CSIS will take place once improvements have been observed with the delivery of ICT Shared Services. This should encompass the current KPI definitions and how they are measured with associated targets. This will include the amount of physical evidence deemed appropriate and sufficient to support closure of tickets	X	ICT Client Section Head	Remediation ended on July 31. This position is currently under review by Council Officers. Some outstanding remediation works have been moved by agreement between both parties to a continuous service improvement plan. Service levels continue to not be met for Helpdesk resolution. Service credits are to be applied from 1 August. Positive call closure remains in place whereby the policy is that no ticket is closed without agreement by the user themselves. The exception to this is if the user does not respond in 5 working days. <b><i>The Council has taken the decision to terminate the contract with Capita in June 2016.</i></b>

### 12.0 Statement from the Elected Mayor and the Managing Director

- 12.1 We propose over the coming year to keep a close focus upon the key governance issues identified as part of the 2014/2015 review and are satisfied that the identified actions and reporting mechanisms will ensure no adverse outcomes will occur. We will monitor their implementation and operation periodically during the year with a formal review as part of the 2015/2016 Annual Governance Statement.

## ANNUAL GOVERNANCE STATEMENT

Signed .....  
Mayor

Date: 28 September 2015

Signed .....  
Managing Director

Date: 28 September 2015





# STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 1 April 2013</b>	<b>1,350</b>	<b>13,362</b>	<b>12,616</b>	<b>27,328</b>	<b>96,563</b>	<b>123,891</b>
<b>Movement in Reserves during 2013/14</b>						
(Surplus) or deficit on provision of services	4,430	0	0	4,430	0	4,430
Other Comprehensive Expenditure and Income	8,776	0	0	8,776	0	8,776
<b>Total Comprehensive Expenditure and Income (CI&amp;E)</b>	<b>13,206</b>	<b>0</b>	<b>0</b>	<b>13,206</b>	<b>0</b>	<b>13,206</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>						
<u>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</u>						
Charges for depreciation of long-term assets	2,569	0	0	2,569	(2,569)	0
Revaluation gains / (losses) on long-term assets	352	0	0	352	(352)	0
(Gains) / Losses on disposal of long-term assets	(630)	0	0	(630)	630	0
(Surplus) / Deficit on revaluation of long-term assets	(1,160)	0	0	(1,160)	1,160	0
Capital grants & contributions applied	(3,610)	0	0	(3,610)	3,610	0
Revenue expenditure funded from capital under statute	3,161	0	0	3,161	(3,161)	0
Minimum Revenue Provision	(236)	0	0	(236)	236	0
Revenue Contribution to Capital	114	0	0	114	(114)	0
Adjustments for Finance lease payments	2	0	0	2	(2)	0
<u>Adjustments primarily involving the Capital Receipts Reserve</u>						
Use of capital receipts reserve to finance new capital expenditure	0	0	(7,291)	(7,291)	7,291	0
Proceeds from sale of long-term assets	0	0	4,004	4,004	(4,004)	0
Unattached capital receipts	(4,372)	0	4,372	0	0	0
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Collection Fund adjustment in accordance with statutory requirements	4,402	0	0	4,402	(4,402)	0
<u>Adjustments primarily involving the Accumulated Absences Reserve:</u>						
Accrued employee benefits adjustment in accordance with statutory requirements	15	0	0	15	(15)	0
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Employer's pension contributions and direct payments to pensioners payable in year	(2,454)	0	0	(2,454)	2,454	0
Actuarial (gains) / losses on pension fund assets / liabilities	(7,616)	0	0	(7,616)	7,616	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	5,170	0	0	5,170	(5,170)	0
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>						
Differences between amounts payable/receivable to be recognised under statutory provisions relating to soft loans	0	0	0	0	0	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>8,913</b>	<b>0</b>	<b>1,085</b>	<b>9,998</b>	<b>3,208</b>	<b>13,206</b>

# STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Transfers to/from earmarked reserves</b>						
Budget Carry Forward Reserve	(105)	105	0	0	0	0
Capital Fund Reserve	0	(171)	0	(171)	171	0
Car Parking Zones Reserve	(33)	33	0	0	0	0
Charter Place Tenants Reserve	220	(220)	0	0	0	0
Climate Change Reserve	(20)	20	0	0	0	0
Development Sites Decontamination Reserve	0	(35)	0	(35)	35	0
Economic Impact Reserve	(104)	104	0	0	0	0
High Street Innovation	10	(10)	0	0	0	0
Housing Planning Delivery Grant Reserve	35	(35)	0	0	0	0
Invest to Save Reserve	416	(416)	0	0	0	0
LA Business Growth Incentive Reserve (LABGI)	43	(43)	0	0	0	0
New Homes Bonus Reserve	(2,069)	2,069	0	0	0	0
NNDR Collection Fund Reserve	(4,661)	4,661	0	0	0	0
Parks, Waste & Street Strategy Reserve	(60)	60	0	0	0	0
Pension Funding Reserve	(874)	874	0	0	0	0
Performance Reward Grant Reserve (Revenue)	28	(28)	0	0	0	0
Recycling Reserve	13	(13)	0	0	0	0
Vehicle Replacement Reserve	(150)	150	0	0	0	0
Weekly Collection Support Grant Reserve	(1,603)	158	0	(1,445)	1,445	0
<b>Transfers to/from earmarked reserves</b>	<b>(8,914)</b>	<b>7,263</b>	<b>0</b>	<b>(1,651)</b>	<b>1,651</b>	<b>0</b>
<b>Increase / Decrease in 2013/14</b>	<b>0</b>	<b>7,263</b>	<b>1,085</b>	<b>8,348</b>	<b>4,859</b>	<b>13,206</b>
<b>Balance as at 31 March 2014</b>	<b>1,350</b>	<b>20,625</b>	<b>13,701</b>	<b>35,676</b>	<b>101,422</b>	<b>137,098</b>

# STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 1 April 2014</b>	<b>1,350</b>	<b>20,625</b>	<b>13,701</b>	<b>35,676</b>	<b>101,422</b>	<b>137,098</b>
<b>Movement in Reserves during 2014/15</b>						
(Surplus) or deficit on provision of services	16,966	0	0	16,966	0	16,966
Other Comprehensive Expenditure and Income (OCIE)	2,997	0	0	2,997	0	2,997
<b>Total Comprehensive Expenditure and Income (CI&amp;E)</b>	<b>19,963</b>	<b>0</b>	<b>0</b>	<b>19,963</b>	<b>0</b>	<b>19,963</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>						
<u>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</u>						
Charges for depreciation of long-term assets	3,249	0	0	3,249	(3,249)	0
Revaluation losses recognised in net Cost of Services or Financing & Investment Inc/Exp	(16,553)	0	0	(16,553)	16,553	0
(Gains) / Losses on disposal of long-term assets	12	0	0	12	(12)	0
(Surplus) / Deficit on revaluation of long-term assets (OCIE)	(6,824)	0	0	(6,824)	6,824	0
Capital grants & contributions applied	(1,941)	0	0	(1,941)	1,941	0
Revenue expenditure funded from capital under statute	1,137	0	0	1,137	(1,137)	0
Minimum Revenue Provision	(1)	0	0	(1)	1	0
Revenue Contribution to Capital	0	0	0	0	0	0
Adjustment for Finance lease payments	0	0	0	0	0	0
<u>Adjustments primarily involving the Capital Receipts Reserve</u>						
Use of capital receipts reserve to finance new capital expenditure	0	0	(5,291)	(5,291)	5,291	0
Proceeds from sale of long-term assets	0	0	307	307	(307)	0
Unattached capital receipts	(3,659)	0	3,659	0	0	0
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Collection Fund adjustment in accordance with statutory requirements	1,293	0	0	1,293	(1,293)	0
<u>Adjustments primarily involving the Accumulated Absences Reserve:</u>						
Accrued employee benefits adjustment in accordance with statutory requirements	(3)	0	0	(3)	3	0
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Employer's pension contributions and direct payments to pensioners payable in year	(3,193)	0	0	(3,193)	3,193	0
Actuarial (gains) / losses on pension fund assets / liabilities (OCIE)	3,827	0	0	3,827	(3,827)	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	3,959	0	0	3,959	(3,959)	0
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>						
Differences between amounts payable/receivable to be recognised under statutory provisions relating to soft loans	0	0	0	0	0	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>1,266</b>	<b>0</b>	<b>(1,325)</b>	<b>(59)</b>	<b>20,022</b>	<b>19,963</b>

# STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Transfers to/from earmarked reserves</b>						
Budget Carry Forward Reserve	(1,273)	1,273	0	0	0	0
Capital Fund Reserve	1,642	(1,642)	0	0	0	0
Car Parking Zones Reserve	(77)	77	0	0	0	0
Charter Place Tenants Reserve	0	0	0	0	0	0
Climate Change Reserve	0	0	0	0	0	0
Crematorium	(50)	50	0	0	0	0
Development Sites Decontamination Reserve	629	(629)	0	0	0	0
Economic Impact Reserve	(160)	160	0	0	0	0
High Street Innovation	0	0	0	0	0	0
Housing Planning Delivery Grant Reserve	0	0	0	0	0	0
Invest to Save Reserve	0	0	0	0	0	0
LA Business Growth Incentive Reserve (LABGI)	0	0	0	0	0	0
Local Development Framework	55	(55)	0	0	0	0
New Homes Bonus Reserve	(1,000)	1,000	0	0	0	0
NNDR Collection Fund Reserve	0	0	0	0	0	0
Parks, Waste & Street Strategy Reserve	0	0	0	0	0	0
Pension Funding Reserve	0	0	0	0	0	0
Performance Reward Grant Reserve (Revenue)	3	(3)	0	0	0	0
Projects and Programme Management	(1,000)	1,000	0	0	0	0
Vehicle Replacement Reserve	0	0	0	0	0	0
Weekly Collection Support Grant Reserve	(35)	35	0	0	0	0
<b>Transfers to/from earmarked reserves</b>	<b>(1,266)</b>	<b>1,266</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase / Decrease in 2014/15</b>	<b>(0)</b>	<b>1,266</b>	<b>(1,325)</b>	<b>(59)</b>	<b>20,022</b>	<b>19,963</b>
<b>Balance as at 31 March 2015</b>	<b>1,350</b>	<b>21,891</b>	<b>12,376</b>	<b>35,617</b>	<b>121,444</b>	<b>157,061</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 NET EXPEND- ITURE £000		Note	2014/15		
			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
	Central Services to the Public:				
783	Local Taxation Collection		1,187	(289)	898
561	Other Central Services		873	(358)	515
	Cultural and Related Services:				
4,708	Leisure Services		5,008	(1,727)	3,281
727	Other Services		781	(96)	685
	Environmental and Regulatory Services:				
293	Cemeteries and Crematoria		223	(269)	(46)
2,265	Environmental Health		2,215	(509)	1,706
4,355	Waste Collection and Disposal		5,857	(1,253)	4,604
8,881	Planning and Economic Development		4,839	(1,747)	3,092
(112)	Highways and Transport Services		2,492	(2,721)	(229)
2,434	Other Housing Services		44,043	(41,792)	2,251
2,815	Corporate and Democratic Core		3,251	0	3,251
0	Central Support Services		201	(201)	0
104	Non-distributed Costs		2,228	0	2,228
<b>27,814</b>	<b>Net Cost of Services</b>		<b>73,198</b>	<b>(50,962)</b>	<b>22,236</b>
	<b>Other Operating (Income) and Expenditure</b>				
(631)	(Gains) / Losses on disposal of long-term assets				(83)
(4,372)	Unattached capital receipts				(3,658)
(61)	Other Operating (Income) and Expenditure				383
	<b>Financing and Investment (Income)/Expenditure</b>				
82	Interest payable and similar charges				1
2,978	Pension interest costs & expected return on assets				2,483
(266)	Interest receivable and similar income				(236)
	(Surplus) or deficit on trading undertakings not included in Net				
(5,131)	Cost of Services	20c			(5,238)
(3,912)	Changes in the fair value of Investment Properties				(14,348)
0	Other Investment (Income) / Expenditure				0
	<b>Taxation and Non-Specific Grant Income</b>				
(7,350)	Council Tax demanded from Collection Fund				(7,956)
(1,725)	Non-domestic Rates Redistribution				(2,116)
(8,454)	Non-ringfenced Government Grants	8			(8,434)
(3,402)	Other Grants and Contributions	8			0
<b>(4,430)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	7			<b>(16,966)</b>
(1,160)	(Surplus) / Deficit on revaluation of long-term assets				(6,824)
(7,616)	Actuarial (gains) or losses on pension assets and liabilities	32			3,827
<b>(8,776)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(2,997)</b>
<b>(13,206)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(19,963)</b>

# BALANCE SHEET

31 March 2014			31 March 2015
£000      £000		Note	£000      £000
40,663	Land and Buildings	18	50,794
8,496	Vehicles, Plant and Equipment	18	7,112
1,998	Infrastructure Assets	18	2,273
2,045	Heritage Assets	19	1,945
105,703	Investment Properties	20	120,121
0	Assets Under Construction	18	687
900	Surplus Assets	20	9,300
1,575	Long Term Debtors & Investments	23	2,381
<b>161,380</b>	<b>Long Term Assets</b>		<b>194,613</b>
9,107	Assets Held for Sale	24	0
15	Inventories	25	10
21,501	Short Term Debtors	26	15,270
31,496	Short Term Investments	36	37,986
2,911	Cash and Cash Equivalents	27	7,994
<b>65,030</b>	<b>Current Assets</b>		<b>61,260</b>
(17,705)	Short Term Creditors	29	(18,547)
(1,111)	Short Term Borrowing	27	0
<b>(18,816)</b>	<b>Current Liabilities</b>		<b>(18,547)</b>
(2,840)	Government Grants & Other Contributions in Advance	30	(2,411)
(70)	Deferred Liabilities	30	12
(6,000)	Loans	30	(6,000)
(139)	Provisions	31	(5,827)
(61,447)	Liability related to Defined Benefit Pension Scheme	32	(66,039)
<b>(70,496)</b>	<b>Long Term Liabilities</b>		<b>(80,265)</b>
<b>137,098</b>	<b>Net Assets</b>		<b>157,061</b>
13,701	Capital Receipts Reserve	34b	12,376
20,625	Earmarked Reserves	34c	21,891
1,350	General Fund Balance	34d	1,350
<b>35,676</b>	<b>Usable Reserves</b>		<b>35,617</b>
(104)	Accumulated Absences Reserve	35b	(100)
145,675	Capital Adjustment Account	35c	170,771
(4,371)	Collection Fund Adjustment Account	35d	(3,078)
(84)	Deferred Capital Payments	35e	(84)
10,300	Deferred Capital Receipts	35f	1,191
(75)	Financial Instruments Adjustment Account	35g	(76)
(61,447)	Pensions Reserve	32	(66,039)
11,528	Revaluation Reserve	35i	18,859
<b>101,422</b>	<b>Unusable Reserves</b>		<b>121,444</b>
<b>137,098</b>	<b>Total Reserves</b>		<b>157,061</b>

Signed .....  
**Joanne Wagstaffe CPFA**  
**Director of Finance**

**Date: 28 September 2015**

Signed .....  
**Ian Brown**  
**Chairman of Audit Committee**

**Date: 28 September 2015**

# CASH FLOW STATEMENT

2013/14		Note	2014/15	
£000	£000		£000	£000
4,430			16,966	
	<b>Net (surplus) or deficit on the provision of services</b>			
2,815	Adjustments to net surplus or deficit on the provision of services for non cash movements	28	(406)	
	Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(235)	
(184)				16,325
7,061				
(82)	Interest element of finance lease payments		(1)	
266	Interest received		236	
184				235
7,245	<b>Net cash flows from Operating Activities</b>			16,560
	<b>Investing and Financing Activities</b>			
(8,887)	Purchase of Long Term Assets	21	(5,740)	
(3,665)	Other payments for investing activities	21	(3,763)	
3,610	Grants and Contributions Applied to Capital Expenditure	20	1,941	
(280,325)	Purchase of short term and long term investments		(87,690)	
276,940	Proceeds from the sale of investments		81,200	
3,374	Proceeds from the sale of Long Term Assets		319	
(2,394)	Movement in Grants and Contributions Unapplied		(511)	
6,000	Long Term Loans		0	
(5,347)				(14,244)
1,898	<b>Net increase/(decrease) in cash and cash equivalents</b>			2,316
(98)	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			1,800
1,800	<b>Cash and Cash equivalents at the end of the reporting period</b>	27		4,116



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1 Accounting Policies - Single Entity and Group Accounts

### 1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2011, which require these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP), supported by International Financial Reporting Standards (IFRS) [and statutory guidance issued under section 12 of the 2003 Act]. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

### 1.02 Turnover (for Group Accounts)

Turnover in respect of property development is recognised on unconditional exchange of contracts on disposals of finished developments.

Where construction of pre-sold developments is under-taken, the revenue and profits are recognised in accordance with IFRIC 15. Revenue is determined by independently certified milestones.

### 1.03 Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings 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 CORE FINANCIAL STATEMENTS

### 1.04 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 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### 1.05 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### 1.06 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

### 1.07 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore funded, by way of an adjusting transaction, with the Capital Adjustment Account in the Movement in Reserves Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1.08 Employee Benefits

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and 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 employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions 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.

#### **Post Employment Benefits**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### The Local Government Pension Scheme

- the Local Government Scheme is accounted for as a defined benefits scheme
- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to 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 4.8% (based on the indicative rate of return on high quality corporate bonds)
- the assets of Hertfordshire County Council (HCC) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard (IAS)19. The assets are:
  - Equities
  - Bonds
  - Property
  - Cash

The bid value of assets for the Fund are provided by the Administering Authority, Hertfordshire County Council.

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

- current service cost — the increase in liabilities as a result of years of service earned this year — allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost — the increase in liabilities arising from current year decisions which relate to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- interest cost — the expected increase in the present value of liabilities during the year as they move one year closer to being paid — debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets — the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments — the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees — debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- 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 Pensions Reserve
- contributions paid to the HCC pension fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

## NOTES TO THE CORE FINANCIAL STATEMENTS

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners 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 pensioners and any such amounts payable 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 required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

### **Discretionary Benefits**

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

### **1.09 Events After the Balance Sheet Date**

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

- those that provide evidence of conditions that existed at the end of the reporting period — the Statement of Accounts is adjusted to reflect such 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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **1.10 Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. The Council currently has no long-term external debt.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Financial Assets - Loans and Receivables**

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market.

They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council 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.

However, the Council has made a few loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year — the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1.11 Government Grants and Contributions

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

- the Council will comply with the conditions of the payment
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution 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 creditors. 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-ringfenced 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.

### 1.12 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council 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 is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

## NOTES TO THE CORE FINANCIAL STATEMENTS

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its 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 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.

### 1.13 Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### 1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1.15 Leases

Leases are classified as finance leases where the terms of the lease transfer 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 classified as operating leases.

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

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

#### ***The Council 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 Council 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 Council at the end of the lease period).

The Council 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 revenue 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.

##### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or 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 (e.g. there is a rent-free period at the commencement of the lease).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *The Council as Lessor*

#### **Finance Leases**

Where the Council 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 Council'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 (i.e. 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 fixed assets 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.

#### **Operating Leases**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP). The total absorption costing principle is used — the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core — costs relating to the Council's status as a multi-functional, democratic organisation
- Non-Distributed Costs — the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing 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.

#### 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 the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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)
- 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.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In addition, should current valuations of a similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be revalued. The current valuers have undertaken a market review of individual asset types within the Council's portfolio at year end to identify any material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified:

- 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.

### **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.

When impairment losses are identified:

- 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Land and buildings — straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles — straight-line over the estimated life of the vehicle
- Plant, furniture and equipment — 25% on a reducing balance basis
- Infrastructure — straight-line allocation over 25 years
- Finance leases — straight-line over the term of the lease

Depreciation commences in the year following acquisition.

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.

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.

### 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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 (i.e.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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. Capital receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for either new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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.

### **Construction Contracts (for Group Accounts)**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **1.18 Heritage Assets**

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Heritage Assets are relatively static and acquisitions, donations and disposals are rare. Where acquisitions do occur, they are initially recognised at cost and donations are recognised at valuation ascertained by insurance officers, museum curators or external valuers. Proceeds from the disposal of Heritage Assets are accounted for in accordance with the Council's general policies relating to the disposals of property, plant and equipment. The Council has a rolling programme of major repair and restoration of its heritage assets and therefore the assets are deemed to have indefinite lives and the Council does not consider it necessary to charge depreciation.

The Council's collection of Heritage Assets, which includes works of art, musical equipment, sculptures, statues, war memorials and civic regalia, are reported at insurance valuations, which are based on market values, internal or external valuations. These insurance valuations are reviewed and updated on an annual basis. The carrying amounts of heritage assets are reviewed where there is evidence of impairment or where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policy on impairment.

## 1.19 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year — where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1.20 Reserves

The Council 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 in that year to score against the Surplus or Deficit on the Provision 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, retirement and employee benefits and do not represent usable resources for the Council — 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 that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance 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 Revenue and Customs. VAT receivable is excluded from income.

### 1.23 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other organisations, that involve the use of assets and resources of the Council and organisations without the establishment of a separate legal entity.

The Council recognises the assets and liabilities it controls on the Council's balance sheet. Expenditure incurred by the Council and income it earns from the operation is included in the Council's CI&E.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other organisations. The assets being used to obtain benefit to the Council and organisations. The arrangement does not involve the formation of a legal entity.

The Council accounts for only its share of jointly controlled assets, liabilities and expenses incurred in respect of its interest in the arrangement.

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. Councillor Ian Brown represents the Council on the Joint Committee. The Council's Managing Director is the Clerk to the Joint Committee. Three Rivers District Council provide the Treasurer.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1.24 Single Entity Financial Statements

The financial statements presented by a parent, an investor in an associate or a venturer in a joint venture (jointly controlled entity) in which the investments are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees. In the context of the Code, an Authority's single entity financial statements are deemed to be separate financial statements.

### 1.25 Group Accounts - Recognition of Group Entities and Basis of Consolidation

Group Accounts are the financial statements of an entity together with:

- its subsidiary undertakings,
- its investments in associates, and
- its interests in joint ventures (jointly controlled entities); presented as a single economic entity.

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2014/15 Code. The 2014/15 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:

- the carrying amount of the parent's investment in each subsidiary and the parent's portion of reserves of each subsidiary are eliminated;
- any non controlling interest is identified and separately disclosed;
- intragroup balances and transactions, including income, expenses and dividends, are eliminated in full.

Investments in associates are accounted for in accordance with the implementation of IAS28 in the 2014/15 Code. The 2014/15 Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IAS31 in the 2014/15 Code. The 2014/15 Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

### 1.26 Taxation (for Group Accounts)

Taxation on all profits is solely the personal liability of individual members. Consequently neither taxation nor related deferred taxation arising in respect of Watford Health Campus Partnership LLP are accounted for in these financial statements.

### 1.27 Subscription and repayment of members' capital (for Group Accounts)

The capital requirements of the LLP are reviewed from time to time by the Board and further capital contributions may be made at the discretion of the members. No interest is charged on capital except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

### **1.28 Allocation of profits and drawings (for Group Accounts)**

The allocation of profits to those who were members during the financial period occurs following the finalisation of the annual financial statements.

The allocation of profits between members is determined by entitlements outlined in the Members' Agreement and is dependent on certain profit criteria being achieved. In accordance with the SORP as a consequence of the LLPs profits being automatically divided in line with the entitlements outlined in the Members' Agreement these profits are treated as an expense in the profit and loss account.

### **1.29 Work in progress (for Group Accounts)**

Development land and work in progress is included at cost less any losses foreseen in completing and disposing of the development less any amounts received or receivable as progress payments or part disposals. Where a property is being developed, cost includes cost of acquisition and development to date, including directly attributable fees, expenses and finance charges net of rental or other income attributable to the development. Where development property is not being actively developed, net rental income and finance costs are taken to the profit and loss account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

For 2015/16 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRIC 21 Levies
- Annual improvements to IFRS (2011-2013 cycle).

The new and amended standards require implementation from 1 April 2015.

#### IFRS 13 Fair Value Measurement

This standard provides a consistent definition of fair value and outlines enhanced disclosure requirements. The standard applies to assets and liabilities which permit or require measurement at fair value. The standard applies to assets and liabilities which permit measurement at fair value. The standard will require surplus assets to be revalued at market value, rather than as at present on existing use value. The council has no material surplus assets.

#### IFRIC 21 Levies:

This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC clarifies that the timing of the levy payment is the obligatory event. This standard will not have a material impact on the Council's accounts.

Annual improvement to IFRS(2011-2013 cycle), these improvements are minimal and will not have a material impact on the Statement of Accounts.

### 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement in the Statements of Accounts is the level of uncertainty about future levels of funding for local government. However, the Council has planned to make savings to compensate for reductions in funding. These savings will result predominantly from efficiencies and not reduced level of services, so the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has entered into a shared service arrangement with Three Rivers District Council for ICT, HR, Finance and Revenues & Benefits services. These working arrangement and future related changes will not reduce the level of service provided by the Council. Therefore the council believe that it is not necessary to impair any non current assets in light of this arrangement.

### 4 Prior Period Adjustments

There are no prior period adjustments included in the statements.

### 5 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 29 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statement and notes have been adjusted in all material respects to reflect the impact of this information.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6 Assumptions Made About the Future and Other Major Sources of Uncertainty

The Statements of Accounts contains estimated figures that are based on assumptions made by the Council about the future that are otherwise uncertain. Estimates are made taking in to 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.

The Items in the Council's Balance Sheet at 31 March 2015 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2014/15, The Council's actuaries advised that the net pensions liability had increased by £4,592k as a result of estimates and assumptions being updated.
Arrears	At 31 March 2015, the Council had a short term sundry debtor balance of £9,385k. A review of significant balances suggested a provision of £5,745k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 26.	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be set aside as a bad debt provision or additional bad debt write offs.
Non Domestic Rates Appeals provision	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2015, an estimate of the appeals not yet lodged.	If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 7 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP). However decisions about resource allocation are taken by the Council's Cabinet on the basis of Finance Digest budget reports analysed across directorates. These reports are produced several times a year to inform senior management and members about the current and forecasted financial position of the Council. They are prepared on a different basis from the accounting policies used in the financial statement. In particular:

- Estimated charges are made in relation to capital expenditure, whereas different actual amounts for depreciation, revaluation and impairment gains and losses are charged to the Comprehensive Income and Expenditure Statement at the year end
- The cost of retirement benefits is based on cash flows (Payment of employer's pensions contributions rather than current service cost of benefits accrued at the year end)
- Expenditure on some support services is budgeted for centrally and not charged to directorates

2013/14 £000		2014/15 £000
	<b>Service Area</b>	
9,710	Corporate Strategy & Client Services	7,902
3,751	Community & Customer Services	4,879
1,788	Democracy & Governance	1,715
3,707	Regeneration & Development	(2,543)
1,025	Managing Director	1,113
0	Human Resources	0
(7,963)	Strategic Finance	303
<b>12,018</b>	<b>Net General Fund</b>	<b>13,369</b>
	<b>Funding</b>	
(7,350)	Council Tax	(7,523)
(2,862)	Revenue Support Grant	(2,583)
(6,127)	NNDR	(2,116)
(4,592)	Government Grants & Other Funding	(4,166)
	Other	
<b>(20,931)</b>	<b>Total Funding</b>	<b>(16,388)</b>
(8,913)	Net General Fund less total funding	(3,019)
8,913	Transfers To / (From) Reserves	3,019
<b>0</b>	<b>Change To General Fund Balance</b>	<b>0</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure within the Finance Digest (FD) relate to the amounts included in the Comprehensive Income and Expenditure Statement (CIES).

2013/14			Subjective Analysis	2014/15		
Finance Digest £000	Not Inc. In FD £000	CI&E £000		Finance Digest £000	Not Inc. In FD £000	CI&E £000
(15,547)	0	(15,547)	Fees, Charges and Other Service Income	(16,602)	0	(16,602)
(266)	0	(266)	Interest and Investment Income	(228)	0	(228)
(7,350)	0	(7,350)	Income From Council Tax	(7,523)	0	(7,523)
			Council Tax Surplus			
(60,070)	0	(60,070)	Government Grants and Contributions	(57,511)	0	(57,511)
(1,293)	1,293	0	Transfer from reserves	(1,089)	1,089	0
<b>(84,526)</b>	<b>1,293</b>	<b>(83,233)</b>	<b>Total Income</b>	<b>(82,953)</b>	<b>1,089</b>	<b>(81,864)</b>
12,828	0	12,828	Employee Expenses	11,731	0	11,731
858	0	858	IAS19 Adjustments	500	0	500
54,419	0	54,419	Other Service Expenses	58,743	0	58,743
(552)	0	(552)	Support Service Recharges	(552)	0	(552)
			Depreciation, Amortisation and Impairment			
6,994	0	6,994		3,249	0	3,249
58	0	58	Interest Payments	0	0	0
4,198	0	4,198	Other Items in Budget Monitoring	3,924	0	3,924
10,207	(10,207)	0	Transfer to reserves	3,467	(3,467)	0
<b>89,010</b>	<b>(10,207)</b>	<b>78,803</b>	<b>Total Expenditure</b>	<b>81,062</b>	<b>(3,467)</b>	<b>77,595</b>
<b>4,484</b>	<b>(8,914)</b>	<b>(4,430)</b>	<b>(Surplus)/Deficit on Provision of Services / General Fund Movement</b>	<b>(1,891)</b>	<b>(2,378)</b>	<b>(4,269)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 8 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £000		2014/15 £000
	<b>Credited To Taxation and Non-Specific Grant Income</b>	
278	Cassiobury Park HLF Grant	0
287	Council Tax Freeze Grant	369
958	Council Tax Support Grant	0
26	Council Tax Transition Grant	0
54	Colne River Project	0
0	Homelessness Grant	276
119	Leisure Grant	0
2,069	New Homes Bonus	2,740
0	Non Specific Grant	61
0	NNDR Redistributed	0
178	Oxhey Park	0
2,862	Revenue Support Grant	2,583
165	TRDC Shared Services Transition - Capital	0
251	Business Rates Section 31 Grants	464
2,001	Waste Collection Support Grant	0
0	Other	1,941
9,248		8,434
	<b>Credited To Services</b>	
40	Arts Council - Lottery	32
26	Building Safer Communities	26
0	Capital Funding	0
39	CCTV	15
23	Cemeteries	23
633	Council Tax Benefit Administration Grant	517
239	Disabled Facility Grant	244
38,168	DWP Housing Benefit Grant	39,705
81	Elections	72
0	Herts County Council	386
181	Housing - Homelessness	317
15	Individual Electoral Registration	87
65	Miscellaneous Highways	84
0	Museum	5
103	New Burdens	118
157	Other Grants	78
4	Parks Development	0
5	Performance and Engagement	5
29	Police & Crime Commissioner	0
2,608	Section 106 Contributions	590
4	Sports Development	56
24	Street Cleansing	1
30	Taxi Marshall Scheme	17
423	Waste Management	779
42,897		43,157
<b>52,145</b>	<b>Total</b>	<b>51,591</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013/14 £000		2014/15 £000
52 2,788	Other Government Grants Section 106	394 2,017
<b>2,840</b>	<b>Total</b>	<b>2,411</b>

### 9 Trading Operations

The Council had established trading units but these are now classified as Investment Properties and as such are reported at Note 20. The market with effect from September 2014 was closed down and is now managed by Town & Country Markets Limited.

The income and expenditure relating to these operations are shown below:

2013/14 Income £000	2013/14 Expend- iture £000	2013/14 Net Income £000		2014/15 Income £000	2014/15 Expend- iture £000	2014/15 Net Income £000
6,485	(1,236)	5,249	Investment Property	0	0	0
1	(119)	(118)	Market	0	0	0
<b>6,486</b>	<b>(1,355)</b>	<b>5,131</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 10 Joint Operations

The Council is party to the West Herts Crematorium Joint Committee under the Local Government Act 2000, as disclosed at note 15.

### 11 External Audit Costs

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

2013/14 £000		2014/15 £000
61	Fees payable to the audit commission with regard to external audit services carried out by the appointed auditor for the year, Grant Thornton	68
11	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	13
	Fees payable to Grant Thornton for other work	1
<b>72</b>	<b>Total</b>	<b>82</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12 Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and the maximum amounts payable in respect of certain allowances.

The total of Members' Allowances paid in the year was £447,539 (2013/14: £434,511).

Further information on Members' Allowances can be obtained from the Council's Democratic Services section.

### 13 Officers' Remuneration

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000. For completeness, the Council has included the Senior Officers remuneration in the table detailed below:

2013/14 No. of employees	Remuneration Band	2014/15 No. of employees
8	£50,000 - £54,999	5
2	£55,000 - £59,999	3
1	£60,000 - £64,999	0
3	£65,000 - £69,999	2
1	£70,000 - £74,999	5
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
1	£135,000 - £139,999	1
0	£140,000 - £214,999	0
0	£215,000 - £219,999	0
<b>16</b>	<b>Total</b>	<b>16</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Director of Finance is a shared post with Three Rivers District Council who under the lead authority model pick up the costs of this post which is recharged to Watford Borough Council on a 50:50 basis. The following tables provide additional detail for senior officers remuneration where salary for the establishment post falls between £50,000 and £150,000.

<b>2013/14</b>	Salary Including Fees and Allowances £	Compens- ation For Loss of Office £	Total Remun'n excluding Pension Contrib'n £	Pension Contrib- ution £	Total Remuner- ation £
<b>Post</b>					
Managing Director	135,780	0	135,780	21,589	<b>157,369</b>
Executive Director - Services	9,801	0	9,801	1,437	<b>11,238</b>
Head of Legal & Property Services	72,976	0	72,976	11,603	<b>84,579</b>
Head of Strategic Finance	28,140	0	28,140	0	<b>28,140</b>
Head of Environmental Services	69,752	0	69,752	11,091	<b>80,843</b>
Head of Human Resources	62,173	0	62,173	9,886	<b>72,059</b>
Head of Planning & Transportation	69,752	0	69,752	11,091	<b>80,843</b>
Head of Community Services	69,755	0	69,755	11,091	<b>80,846</b>
<b>Total</b>	<b>518,129</b>	<b>0</b>	<b>518,129</b>	<b>77,788</b>	<b>595,917</b>

<b>2014/15</b>	Salary Including Fees and Allowances £	Compens- ation For Loss of Office £	Total Remun'n excluding Pension Contrib'n £	Pension Contrib- ution £	Total Remuner- ation £
<b>Post</b>					
Managing Director	136,456	0	136,456	21,696	<b>158,152</b>
Head of Legal & Property Services	73,341	0	73,341	11,661	<b>85,002</b>
Head of Environmental Services	70,849	0	70,849	11,265	<b>82,114</b>
Head of Human Resources	65,152	0	65,152	10,359	<b>75,511</b>
Head of Planning & Transportation	70,853	0	70,853	11,266	<b>82,119</b>
Head of Community Services	70,858	0	70,858	11,266	<b>82,124</b>
<b>Total</b>	<b>487,509</b>	<b>0</b>	<b>487,509</b>	<b>77,513</b>	<b>565,022</b>

### 14 Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £187,443 (2013/14: £100,972). Of this total, £173,090 (2013/14: £90,584) was payable in the form of compensation for loss of office and £14,353 (2013/14: £10,388) in enhanced pension benefits as part of the Council's rationalisation of Services.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14				2014/15	
number of exit packages	cost of exit packages	Cost Band		number of exit packages	cost of exit packages
4	41,390	£0	- £20,000	2	17,417
0	0	£20,001	- £40,000	4	129,333
1	59,582	£40,001	- £60,000	1	40,693
0	0	£60,001	- £80,000	0	0
0	0	£80,001	- £100,000	0	0
0	0	£100,001	- £150,000	0	0
0	0	£150,001	- £200,000	0	0
<b>5</b>	<b>100,972</b>	<b>Total</b>		<b>7</b>	<b>187,443</b>

### 15 Related Party Transactions

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

#### a) Central Government & Other Local Bodies

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits).

Details of grant funding transactions with Government Departments and Agencies are set out in Note 8 to the Core Financial Statements.

The Council paid precepts to Hertfordshire County Council and Hertfordshire Police Authority, further details of which are included in the Collection Fund Accounts.

#### b) Members and Chief Officers

An agreement exists between Dacorum Borough Council, Hertsmere Borough Council, St Albans City & District Council, Three Rivers District Council and Watford Borough Council to constitute a West Herts Crematorium Joint Committee under the Local Government Act 2000.

The Joint Committee has one member from each of the constituent Councils. Councillor Ian Brown represents the Council on the Joint Committee. The Council's Managing Director is the Clerk to the Joint Committee. Three Rivers District Council provide the Treasurer.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 memorandum of agreement also allows for surpluses to be paid to the constituent councils, where they are not required for future capital investment - in 2014/15 the Council received £50,000 (2013/14 £50,000).

All land and property is vested in Three Rivers District Council but is managed and maintained by the Joint Committee.

Councillors Kareen Hastrick and Derek Scudder are members of the Citizens Advice Bureau (CAB) Management Board and Council representatives. The board was paid an amount of £204,192 (2013/14 £204,192) in grant and £42,531 (2013/14 £42,531) in rent support during 2014/15. Councillor George Derbyshire is also a member of the CAB. Councillor Derek Scudder is on the management board of the Watford Sheltered Workshop who lease a premises from Watford rent free and also on the Board of the Green Deal Together CIC.

Councillor George Derbyshire is a Director and Council representative on the Watford Palace Theatre Trust. The Trust received £257,728 (2013/14 £257,729) in grant aid and £32,500 (2013/14 £32,500) in rent support from the Council in 2014/15.

Following the transfer of the housing stock, Councillor Peter Jeffree is a Council representative on the Board of the Watford Community Housing Trust. Also, Councillors Ian Brown and Jan Brown are Directors of the Watford Charity Centre Limited (The Le Marie Centre) who lease a property from the Council.

Councillor Mark Watkin is the Council's representative on the National LGA. Mayor Dorothy Thornhill is on the Inter Authorities Health Partnership Board, Herts Anti Poverty Partnership and Chair of LSP One Watford. She is also General Assembly Member of Safer Watford, Vice President of Watford Football Club and Patron of WFC Educational Trust which is negotiating a lease for the Meriden Community Centre.

Councillor Matt Turmaine is the Development manager for the Hertfordshire Safeguarding Children's board of which WBC sends a representative.

Councillors Mo Mills is a trustee of the West Watford Community Association who received a grant from the Council.

In addition, a small number of Council Members and Officers have made declarations of personal interests in voluntary and other organisations, which are grant aided or otherwise financed by the Council, which are not disclosed separately in this note as the sums involved are not considered material.

The Watford Health Campus Limited Liability Partnership was formally set up in June 2013 and the Council is a 50:50 partner with Kier Property Investment Limited. The Partnership Board Members for the Council are Manny Lewis, Jane Custance and Joanne Wagstaffe. The LLP is a Local Asset Backed Vehicle (LABV) with Kier Property to take forward the redevelopment of the Health Campus.

### **c) Hertfordshire Pension Fund**

The details of the transactions with the Council's pension fund are provided in Note 32 to the Core Financial Statements.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 16 Partnership Working

Since April 2009, Watford Borough Council and Three Rivers District Council have been participating in Shared Services, provided by the Joint Shared Services Committee. From April 2014 governance arrangements changed with the Council being the lead authority for the provision of HR and ICT Services.

The table below shows the net expenditure of the 4 shared services and the charge to each authority which Watford Borough Council's share was £3.504m in 2014/15.

2013/14		2014/15		
		Provided by WBC £000	Provided by TRDC £000	Total Net Cost £000
Net Cost £000	Services			
1,883	Housing Benefits	0	1,646	1,646
1,332	Finance	0	1,150	1,150
635	HR	556	0	556
1,957	ICT	1,033	0	1,033
<b>7,434</b>	<b>Net Cost of Services / Operating Expenditure</b>	<b>1,589</b>	<b>4,325</b>	<b>5,914</b>
(4,471)	Paid by Watford Borough Council	(997)	(2,507)	(3,504)
(2,963)	Paid by Three Rivers District Council	(592)	(1,818)	(2,410)
<b>0</b>	<b>(Surplus) / Deficit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 17 Intangible Assets

Intangible long-term assets are non-financial assets which do not have a physical substance but are identified and controlled by the Council through legal rights, e.g. IT software, which brings benefits to the Council for more than one year.

During 2014/15 no capital expenditure was recorded in this category.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18 Property, Plant and Equipment

#### a) Information on Assets Held

The Property of the Council comprises:

31 Mar 14 No. / area		31 Mar 15 No. / area
	<b>Property, Plant and Equipment</b>	
1	Museum	1
5	Community Centres	5
1	Assembly Hall	1
2	Play Facilities	2
2	Theatres	2
3	Council Offices	3
1	Depot	1
4	Car Parks	4
2	Cemeteries	2
2	Leisure Pools	2
	<b>Community Assets (see note below)</b>	
915 acres	Parks and Open Spaces	915 acres
9	Allotments	9

Community Assets: These assets are held for the community in perpetuity. They are often assets that have been in the community for a long period, and little if any record exists of their original cost. The assets are not expected to be sold and have a nominal value in the accounts of £1.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## b) Movement of Property, Plant and Equipment

2013/14	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2013	43,466	14,097	2,636	60,199
Additions - Capital Programme	4,664	4,223	0	8,887
Additions - Finance Leases	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,119	0	0	1,119
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(4,328)	0	0	(4,328)
Derecognition - Disposals	(100)	(575)	0	(675)
Derecognition - Other	0	(260)	0	(260)
Assets reclassified (to) / from Held for Sale	(35)	0	0	(35)
Other movements in cost or valuation	0	0	0	0
<b>At 31 March 2014</b>	<b>44,786</b>	<b>17,485</b>	<b>2,636</b>	<b>64,907</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
At 1 April 2013	(3,230)	(8,131)	(506)	(11,867)
Depreciation Charge	(991)	(1,446)	(132)	(2,569)
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the surplus / deficit on the provision of services	64	0	0	64
Impairment losses / (reversals) recognised in the Revaluation Reserve	34	0	0	34
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0
Derecognition - Disposals	0	328	0	328
Derecognition - Other	0	260	0	260
Other movements in depreciation and impairment	0	0	0	0
<b>At 31 March 2014</b>	<b>(4,123)</b>	<b>(8,989)</b>	<b>(638)</b>	<b>(13,750)</b>
<b>Balance Sheet Value at 31 March 2014</b>	<b>40,663</b>	<b>8,496</b>	<b>1,998</b>	<b>51,157</b>
<b>Balance Sheet Value at 1 April 2013</b>	<b>40,236</b>	<b>5,966</b>	<b>2,130</b>	<b>48,332</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Assets Under Constr'n £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra- structure £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2014	0	44,786	17,485	2,636	64,907
Additions - Capital Programme	687	3,898	750	407	5,742
Additions - Finance Leases	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,468	0	0	2,468
					0
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	(128)	0	0	(128)
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	(91)	0	0	(91)
Assets reclassified (to) / from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
<b>At 31 March 2015</b>	<b>687</b>	<b>50,933</b>	<b>18,235</b>	<b>3,043</b>	<b>72,898</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
At 1 April 2014	0	(4,123)	(8,989)	(638)	(13,750)
Depreciation Charge	0	(984)	(2,134)	(132)	(3,250)
Depreciation written out to the Revaluation Reserve	0	4,968	0	0	4,968
					0
Depreciation written out to the surplus / deficit on the provision of services	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
					0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0
					0
<b>At 31 March 2015</b>	<b>0</b>	<b>(139)</b>	<b>(11,123)</b>	<b>(770)</b>	<b>(12,032)</b>
<b>Balance Sheet Value at 31 March 2015</b>	<b>687</b>	<b>50,794</b>	<b>7,112</b>	<b>2,273</b>	<b>60,866</b>
<b>Balance Sheet Value at 1 April 2014</b>	<b>0</b>	<b>40,663</b>	<b>8,496</b>	<b>1,998</b>	<b>51,157</b>

## c) Revaluations

The Council carried 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 are carried out internally and the basis of valuations is in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. All assets have been valued individually, with the final statements of account reconciled to the valuation certificates. The basis of valuing individual classes of assets owned by the Council is detailed in Note 1 to the Core Financial Statements.



## NOTES TO THE CORE FINANCIAL STATEMENTS

The following table illustrates the scope of the revaluation work undertaken and demonstrates the Council's rolling revaluation programme. The Council undertakes an impairment review at the year end and any asset which has had a material gain or loss in value during the year is adjusted. Therefore, the Council believes that the prior year valuations are still appropriate.

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Total £000
Carried at historical cost	0	18,235	3,043	21,278
Valued at current value as at:				
31/03/2015	8,270	0	0	8,270
31/03/2014	3,565	0	0	3,565
31/03/2013	2,272	0	0	2,272
31/03/2012	11,250	0	0	11,250
31/03/2011	25,553	0	0	25,553
<b>Total Cost or Valuation</b>	<b>50,910</b>	<b>18,235</b>	<b>3,043</b>	<b>72,188</b>

### d) Information About Depreciation Methodologies

Depreciation has been provided for all assets with a finite useful life. The basis for depreciating assets is detailed in the Statement of Accounting Policies. Depreciation commences in the year following acquisition. Freehold land, investment properties, Surplus Assets and Heritage Assets are not depreciated. On all other assets where depreciation has been provided, assets have been depreciated on the following basis:

Buildings	Straight-line over the useful life of the property as estimated by the valuer
Vehicles	Straight-line over the estimated life of the vehicle
Plant, Furniture & Equipment	25% on a reducing balance basis
Infrastructure	Straight-line over 25 years
Finance Leases	Straight-line over the term of the lease

## 19 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated annually. The Council has a rolling programme of repair of its Heritage Assets and regularly reviews the conditions of its assets. The Council keeps a register of all its Heritage Assets and records the nature, condition and location of each asset.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	Musical Instrument £000	Statues, Sculptures & War Memorials £000	Works of Art £000	Civic Regalia £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2013	400	745	700	200	2,045
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations increases / (decreases)	0	0	0	0	0
<b>At 31 March 2014</b>	<b>400</b>	<b>745</b>	<b>700</b>	<b>200</b>	<b>2,045</b>

2014/15	Musical Instrument £000	Statues, Sculptures & War Memorials £000	Works of Art £000	Civic Regalia £000	Total £000
<b>Cost or valuation</b>					
At 1 April 2014	400	745	700	200	2,045
Additions	0	0	0	0	0
On Loan Asset Written Out	0	(100)	0	0	(100)
Disposals	0	0	0	0	0
Revaluations increases / (decreases)	0	0	0	0	0
<b>At 31 March 2015</b>	<b>400</b>	<b>645</b>	<b>700</b>	<b>200</b>	<b>1,945</b>

## 20 Investment Properties and Surplus Assets

### a) Information on Assets Held

The Investment Properties and Surplus Assets of the Council comprise:

31 Mar 14 No. / area		31 Mar 15 No. / area
209	Commercial Properties	209
1	Old Woolworths Store	1
1	Business Park	1
250,000 sq.ft	Charter Place Shopping Area	250,000 sq.ft
1	Market	1
7% of net profit	Share in Intu Watford Shopping Centre	7% of net profit
0	Cardiff Road Industrial Estate	0
1	Surplus Assets	1
3	Assets Held for Sale	1

## NOTES TO THE CORE FINANCIAL STATEMENTS

### b) Movement of Investment Properties and Surplus Assets

2013/14	Investment Properties £000	Surplus Assets £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2013	113,309	900	114,209
Additions	504	0	504
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	3,912	0	3,912
Derecognition - Disposals	(2,950)	0	(2,950)
Derecognition - Other	0	0	0
Assets reclassified (to) / from Held for Sale	(9,072)	0	(9,072)
Other movements in cost or valuation	0	0	0
<b>At 31 March 2014</b>	<b>105,703</b>	<b>900</b>	<b>106,603</b>
<b>Balance Sheet Value at 31 March 2014</b>	<b>105,703</b>	<b>900</b>	<b>106,603</b>
<b>Balance Sheet Value at 1 April 2013</b>	<b>113,309</b>	<b>900</b>	<b>114,209</b>

2014/15	Investment Properties £000	Surplus Assets £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2014	105,703	900	106,603
Additions	2,625	0	2,625
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	14,348	(600)	13,748
Derecognition - Disposals	(95)	0	(95)
Derecognition - Other	0	0	0
Assets reclassified (to) / from Assets Held for Sale	0	9,000	9,000
Other movements in cost or valuation	(2,460)	0	(2,460)
<b>At 31 March 2015</b>	<b>120,121</b>	<b>9,300</b>	<b>129,421</b>
<b>Balance Sheet Value at 31 March 2015</b>	<b>120,121</b>	<b>9,300</b>	<b>129,421</b>
<b>Balance Sheet Value at 1 April 2014</b>	<b>105,703</b>	<b>900</b>	<b>106,603</b>

### c) Accounted for in Comprehensive Income and Expenditure Statement

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.

2013/14 £000		2014/15 £000
6,486	Rental income from Investment Property	6,288
(1,355)	Direct operating expenses arising from Investment properties	(1,044)
<b>5,131</b>	<b>Net income</b>	<b>5,244</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21 Capital Expenditure & Financing, Commitments and Changes in Estimates

#### a) Capital Expenditure and Financing

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

2013/14 £000		2014/15 £000
2,514	<b>Opening Capital Financing Requirement</b>	2,602
	<b>Capital Investment</b>	
8,887	Property, Plant and Equipment	5,740
504	Investment Properties	2,626
3,161	Revenue Expenditure Funded from Capital Under Statute	1,137
12,552		9,503
	<b>Sources of Finance</b>	
(7,291)	Capital receipts	(5,292)
(973)	Government Grants and Other Contributions	(619)
(2,637)	S106 Contributions	(1,322)
(171)	Capital Fund Reserve	(1,642)
(35)	Development Sites Decontamination Reserve	(628)
(1,445)	Weekly Collection Support Grant Reserve	0
(12,552)		(9,503)
	<b>Minimum Revenue Provision and Voluntary Contributions</b>	
(8)	Minimum Revenue Provision from Capital Adjustment Account	0
0	Voluntary Contributions to Reduce the Capital Financing Requirements	0
(8)		0
96	Transfer from Deferred Capital Payments relating to Finance Leases	0
<b>2,602</b>	<b>Closing Capital Financing Requirement</b>	<b>2,602</b>

#### b) Commitments Under Capital Contracts

At 31 March 2015 the Council had contractual commitments totalling £2.314 million (31 March 2014: £1.998 million) relating to various capital schemes that have been undertaken with which appropriate funding is in place.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 22 Leases

### a) Council as Lessee

#### i) Operating Lease

The Council entered into a number of operating leases relating to operational land and buildings, vehicles and plant and equipment. The total amount paid under these arrangements in 2014/15 was £38,749 (2013/14: £90,115) and are as follows:

2013/14 £000		2014/15 £000
30	Operational Land and Buildings	30
60	Vehicles, Plant and Equipment	9
<b>90</b>	<b>Total</b>	<b>39</b>

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

2013/14				2014/15		
Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000		Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
0	37	37	Not later than one year	30	0	30
30	14	44	Later than one year and not later than five years	0	0	0
0	0	0	Later than five years	0	0	0
<b>30</b>	<b>51</b>	<b>81</b>	<b>Total Liability</b>	<b>30</b>	<b>0</b>	<b>30</b>

#### ii) Finance Leases

The following table shows the values of assets held under finance by the Council accounted for under Long-Term Assets:

2013/14 Total £000		2014/15		
		Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
644	Book value at 1 April	426	127	553
0	Additions	0	0	0
0	Disposals	0	0	0
(155)	Depreciation	(3)	(41)	(44)
0	Impairment	0	0	0
<b>489</b>	<b>Book value at 31 March</b>	<b>423</b>	<b>86</b>	<b>509</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is committed to making minimum payments under the leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 Mar 14 £000		31 Mar 15 £000
	Finance lease liabilities (net present value of minimum lease payments):	
70	Annual Payments	70
14	Finance costs payable in future years	14
<b>84</b>	<b>Minimum lease payments</b>	<b>84</b>

The minimum lease payments will be payable over the following periods:

31 Mar 14 £000		31 Mar 15 £000
	<b>Vehicles, Plant and Equipment</b>	
14	Not later than one year	59
70	Later than one year and not later than five years	25
<b>84</b>	<b>Total</b>	<b>84</b>

### b) Council as Lessor

#### i) Operating Leases

The Council leases out various investment property under operating leases. The gross value of assets which were held under operating leases was £111.998 million (31 March 2014: £105.703 million). The total rental received under these lease agreements and credited to services was £6.288 million (2013/14: £6.486 million).

#### ii) Finance Leases

The Council has leased out property on finance leases. The Council has a gross investment in the lease made up of minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments compromise settlement of the long term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 Mar 14 £000		31 Mar 15 £000
133	Finance Lease Debtor - Long Term	131
<b>133</b>	<b>Gross Investment in the Lease</b>	<b>131</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23 Debtors & Investments - Long Term

Long-term debtors are debtors which fall due after a period of at least one year. Long-term investments include investments in the Watford Health Campus scheme. They are analysed as follows:

31 Mar 14 £000		Net Movem't in year £000	31 Mar 15 £000
11	Loan to YMCA	(2)	9
967	Rent to Mortgage	0	967
133	Finance Leases as Lessor	(2)	131
7	Charges Registered to Properties	0	7
<b>1,118</b>		<b>(4)</b>	<b>1,114</b>
	<b>Long Term Investments</b>		
457	Watford Health Campus LABV	800	1,257
0	Municipal Bonds Agency	10	10
<b>1,575</b>	<b>Total</b>	<b>806</b>	<b>2,381</b>

### 24 Assets Held For Sale

Current Assets Held For Sale are those being actively marketed where there is an expectation that they will be sold within one year of the balance sheet date.

2013/14 Total £000		2014/15 Total £000
	<b>Cost or valuation</b>	
0	At 1 April	9,107
35	Assets reclassified from Operational Land and Buildings	0
9,072	Assets reclassified from Investment Properties	0
0	Disposals	(107)
	Assets reclassified to Surplus Assets	(9,000)
<b>9,107</b>	<b>At 31 March</b>	<b>0</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25 Inventories

The following inventories were held as at 31st March 2015:

31 Mar 14 £000		31 Mar 15 £000
5	Watford Museum (Saleable Items)	5
10	Printing Section (Paper, inks, etc.)	5
<b>15</b>	<b>Total</b>	<b>10</b>

There was no work-in-progress as at 31st March 2015.

### 26 Debtors - Short Term

An analysis of debtors falling due within one year is shown below:

31 Mar 14 £000		31 Mar 15 £000
14,297	Central Government Bodies	6,167
4,485	Local Authorities	5,165
0	Public Corporations	0
10,361	Other Entities and Individuals	9,385
296	Payments in Advance	298
29,439		21,015
(7,938)	Less: Provision for Bad Debts / Impairment	(5,745)
<b>21,501</b>	<b>Total</b>	<b>15,270</b>

### 27 Cash, Cash Equivalents and Short Term Borrowing

The balance of cash, cash equivalents and short term borrowing is made up of the following elements:

31 Mar 14 £000		31 Mar 15 £000
	<b>Current Assets</b>	
3	Cash held by the Authority	3
2,908	Bank Current Accounts	7,991
0	Short-term Deposits with Building Societies	0
2,911		7,994
	<b>Current Liabilities</b>	
(1,111)	Bank overdrafts	0
<b>1,800</b>	<b>Total</b>	<b>7,994</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28 Adjustments to Net Surplus or Deficit on the Provision of Services for Non Cash Movements and Investing and Financing Activities

#### Adjustments for non-cash transactions

Adjustments involving Finance Leases

#### *Items on an accruals basis*

Increase / (Decrease) in Inventories

Movement in Provisions

#### Investing and Financing Activities

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30 Creditors - Long Term

An analysis of creditors falling due in one year or more is shown below:

31 Mar 14 £000		31 Mar 15 £000
70	Deferred Liabilities (obligations under finance leases)	(12)
52	Government Grants Unapplied	394
2,788	Section 106 Contributions Unapplied	2,017
6,000	Loans (Local Authority)	6,000
<b>8,910</b>	<b>Total</b>	<b>8,399</b>

### 31 Provisions

Provisions are accumulated funds held where the Council has an obligation which is likely to lead to a payment but the exact amount and timing of the payment is unknown.

31 Mar 14 £000		31 Mar 15 £000
91	Property Searches	91
48	Municipal Mutual Insurance	48
0	Contractual Provision	74
0	NDR Appeals	5,614
<b>139</b>	<b>Total</b>	<b>5,827</b>

#### Property Searches

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a maximum claim of £130k plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none has been intimated at present. The Council believes the provision of £91k is prudent.

#### Municipal Mutual Insurance

Under Watford Borough Council's agreement with its previous insurer Municipal Mutual Insurance (MMI), the Council is exposed to the possibility of having to repay all or part of its claims already settled, or to be settled, by MMI. At 31 March 2015 the Council was informed by MMI's administrators that the maximum potential repayment stood at £52,000. This figure represents 15% of the total amount of claims paid by MMI to 31 March 2015, less the first £50,000 which is excluded from any levy. During the year, the Council made a payment to MMI of £52,102 to part settle the outstanding claim. The Council believes the provision of £48k is prudent.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Contractual Provision**

This provision reflects a potential liability for the Council on one of its contracted services.

### **NDR Appeals**

The NDR Appeals provision has arisen because of the change to the NDR regime. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the likely outcome.

## **32 Defined Benefit Pension Scheme**

### **Participation in Pension Scheme**

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

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

### **Transactions relating to Retirement Benefits**

The Council recognises 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 that is required to be made 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 Account and the General Fund Balance via the Movement in Reserves Statement during the year:

# NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14 £000		2014/15 £000
	<b>Comprehensive Income and Expenditure Statement (CI&amp;E)</b>	
	<i>Service cost comprising:</i>	
1,973	current service cost	1,456
219	past service cost	20
2,192	<b>Total Cost of Service</b>	1,476
	<i>Financing and Investment Income and Expenditure</i>	
2,978	Net Interest Expense	2,483
<b>5,170</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,959</b>
	<b>Other Post Employment Benefit Charged to the CI&amp;E</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(2,640)	Return on plan assets	(9,834)
(4,954)	Actuarial gains and losses arising on changes in demographic assumptions	0
705	Actuarial gains and losses arising on changes in financial assumptions	15,213
(727)	Other experience	(1,552)
<b>(7,616)</b>	<b>Total Remeasurement recognised in Other CI&amp;E</b>	<b>3,827</b>
<b>(2,446)</b>	<b>Total Post Employment Benefit Charged to CI&amp;E</b>	<b>7,786</b>
	<b>Movement in Reserves Statement</b>	
(2,446)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	7,786
(2,454)	<b>Employers' contributions payable to the scheme</b>	<b>(3,193)</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2013/14 £000		2014/15 £000
(161,290)	Present value of the defined benefit obligation	(176,769)
99,843	Fair value of plan assets	110,730
<b>(61,447)</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>(66,039)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Reconciliation of the Movements in the Fair Value of Scheme Assets

Restated 2013/14 £000		2014/15 £000
95,366	Opening fair value of scheme assets at 1 April	99,843
4,235	Interest income	4,030
2,640	Return on plan assets	9,834
2,454	Contributions from employer	3,193
582	Contributions from employees into the scheme	428
(5,434)	Benefits paid	(6,599)
<b>99,843</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>110,729</b>

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

2013/14 £000		2014/15 £000
161,713	Opening Balance at 1 April	161,290
1,973	Current service costs	1,456
7,213	Interest cost	6,513
582	Contributions by scheme participants	428
(4,954)	Actuarial gains and losses arising from changes in demographic assumptions	0
705	Actuarial gains and losses arising from changes in financial assumptions	15,213
(727)	Other experience	(1,552)
219	Past service costs	20
0	Curtailments	0
(5,434)	Benefits paid	(6,599)
<b>161,290</b>	<b>Closing Balance at 31 March</b>	<b>176,769</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Local Government Pension Scheme assets comprised

2013/14 £000		2014/15 £000
3,249.0	Cash and cash equivalents	2,919.9
	<i>Equity instruments:</i>	
10,053.9	Consumer	9,776.9
11,503.5	Manufacturing	11,582.8
4,435.2	Energy and Utilities	3,196.1
10,843.5	Financial Institutions	9,952.1
1,533.2	Health and Care	1,642.1
7,021.6	Information Technology	6,877.3
1,138.7	Other	816.7
49,778.6	Sub-total equity	46,763.9
	<i>Bonds:</i>	
8,276.1	Corporate Bonds (investment grade)	0.0
6,150.5	UK Government	0.0
2,113.2	Other	0.0
16,539.8	Sub-total bonds	0.0
	<i>Property:</i>	
3,865.5	UK Property	0.0
2,193.1	Overseas Property	0.0
6,058.6	Sub-total property	0.0
	<i>Private Equity:</i>	
4,047.5	All	4,586.7
4,047.5	Sub-total private equity	4,586.7
	<i>Other Investment Funds:</i>	
15,192.0	Equities	15,910.3
2,434.4	Bonds	29,535.7
424.1	Commodities	479.7
0.0	Infrastructure	99.0
5,281.4	Other	13,594.8
23,331.9	Sub-total other investment funds	59,619.5
	<i>Derivatives:</i>	
86.8	Foreign exchange	(240.1)
86.8	Sub-total derivatives	(240.1)
<b>99,843.2</b>	<b>Total Assets</b>	<b>110,730.0</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2015.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions used by the actuary have been:

31 Mar 14		31 Mar 15
7.80%	<b>Total Returns from 1 April 2014 to 31 March 2015</b>	14.10%
	<b>Mortality Assumptions</b>	
	Longevity at 65 for current pensioners	
22.3	• Men	22.3
24.5	• Women	24.5
	Longevity at 65 for future pensioners	
24.3	• Men	24.3
26.7	• Women	26.7
3.9%	Rate of increase in salaries	3.5%
2.6%	Rate of increase in pensions	2.1%
4.1%	Rate for discounting scheme liabilities	3.1%

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

### Impact on the Defined Benefit Obligation in the Scheme.

	2014/15 £000
Longevity (increase in 1 year)	5,303
Rate of increase in salaries (increase by 0.5%)	3,737
Rate of increase in pensions (increase by 0.5%)	12,431
Rate for discounting scheme liabilities (decrease by 0.5%)	16,368
	<b>37,839</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Information about the Defined benefit obligation

	Liability Split	Weighted Average Duration
Active members	28.9%	23.2
Deferred members	22.9%	21.5
Pensioner members	48.2%	11.2
<b>Total</b>	<b>100.0%</b>	<b>16.5</b>

The estimated Employer's contributions for the period to 31 March 2016 will be approximately £3,095,000.

### 33 Contingent Assets and Liabilities

#### Contingent Asset - VAT Shelter Agreement with Watford Community Housing Trust

Watford Borough Council employed a VAT structure scheme when the Council's housing stock was transferred to the Watford Community Housing Trust (WCHT). The scheme involves the Council contracting with WCHT for the Trust to deliver works and this enabled the WCHT to recover VAT on those future major works. Both the WCHT and the Council gain by these arrangements. The recovery of VAT on major works will amount to an estimated £18 million, of which the first £1.1 million was paid to Watford Borough Council along with 50% of the remaining £16.9 million. The rate at which this sum is received will depend on the WCHT work programme. However, £0.823 million was received during 2014/15 (2013/14: £0.541 million) leaving a contingent asset of approximately £2.945 million (2013/14: £3.768 million) which will be received in the future.

### 34 Usable Reserves

#### a) Movement in Usable Reserves

Details of the movements relating to individual usable reserves are shown below:

Balance at 31 Mar 14 £000	Reserve	Net Movem't in year £000	Balance at 31 Mar 15 £000	Further Detail Note
13,701	Capital Receipts Reserve	(1,325)	12,376	34b
20,625	Earmarked Reserves	1,266	21,891	34c
1,350	General Fund Balance	0	1,350	34d
<b>35,676</b>	<b>Total Net Worth</b>	<b>(59)</b>	<b>35,617</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### b) Capital Receipts Reserve

The Usable Capital Receipts Reserve holds capital receipts from the sale of assets which have been received and have not yet been used to finance capital expenditure. The balance on the Reserve is restricted by statute from being used other than to fund future years' expenditure in the approved capital budget or set aside to finance historical capital expenditure.

2013/14 £000		2014/15 £000
12,616	Balance brought forward at 1 April	13,701
	Received in year	
4,004	Proceeds from sale of long-term assets	307
3,831	Shares in preserved Right to Buy (Unattached Capital Receipt)	2,836
541	VAT Shelter compensation (Unattached Capital Receipt)	823
0	Loan repayments (Unattached Capital Receipt)	0
8,376	Applied in year	3,966
(7,291)	Transferred to Capital Adjustment Account to finance new capital expenditure	(5,291)
<b>13,701</b>	<b>Balance carried forward at 31 March</b>	<b>12,376</b>

### c) Earmarked Reserves

Earmarked Reserves result from events which have allowed funds to be set aside, surpluses generated from trading undertakings, or decisions causing anticipated expenditure to have been postponed or cancelled.

## NOTES TO THE CORE FINANCIAL STATEMENTS

For each Reserve established the Council identifies:

- the reason/purpose of the reserve
- how and when the reserve can be used
- procedures for the management and control of the reserve
- a process and timescale for review to ensure continuing relevance and adequacy

Balance at 31 Mar 14 £000		Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 15 £000
85	Area Based Grant Reserve	0	0	85
339	Budget Carry Forward Reserve	1,612	(339)	1,612
1,642	Capital Fund Reserve	0	(1,642)	0
630	Car Parking Zones Reserve	77	0	707
160	Charter Place Tenants Reserve	0	0	160
57	Climate Change Reserve	0	0	57
1,275	Development Sites Decontamination Reserve	0	(629)	646
1,927	Economic Impact Reserve	1,160	(1,000)	2,087
90	High Street Innovation	0	0	90
113	Homelessness Prevention Reserve	0	0	113
996	Housing Benefit Subsidy Reserve	0	0	996
266	Housing Planning Delivery Grant Reserve	0	0	266
839	Invest to Save Reserve	0	0	839
570	LA Business Growth Incentive Reserve (LABGI)	0	0	570
12	Le Marie Centre Repairs Reserve	0	0	12
423	Leisure Structured Maintenance Reserve	0	0	423
233	Local Development Framework Reserve	0	(55)	178
181	Multi-Storey Car Park Repair Reserve	0	0	181
2,611	New Homes Bonus Reserve	1,000	0	3,611
4,661	NNDR Collection Fund Reserve	0	0	4,661
60	Parks, Waste & Street Strategy Reserve	0	0	60
2,249	Pension Funding Reserve	0	0	2,249
191	Performance Reward Grant Reserve (Capital)	0	0	191
32	Performance Reward Grant Reserve (Revenue)	0	(3)	29
0	Project and Programme Management	1000	0	1,000
100	Rent Deposit Guarantee Scheme Reserve	0	0	100
725	Vehicle Replacement Reserve	0	0	725
158	Weekly Collection Support Grant Reserve	727	(692)	193
0	Crematorium	50	0	50
<b>20,625</b>	<b>Total</b>	<b>5,626</b>	<b>(4,360)</b>	<b>21,891</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Details of the purpose of each current earmarked reserve are set out below:

<b>Reserve</b>	<b>Purpose</b>
Area Based Grant Reserve	This grant was received to encourage initiatives relating to preventing violent extremism and anti social behaviour.
Budget Carry Forward Reserve	This reserve has been created to 'carry forward' unspent revenue budgets for use in the proceeding financial year.
Capital Fund Reserve	To provide for funding of key capital projects.
Car Parking Zone Reserve	This is a statutory ring-fenced reserve, for future controlled parking related costs.
Charter Place Tenants Reserve	Tenants' contributions to meet major works.
Climate Change Reserve	To fund energy saving initiatives to reduce energy consumption.
Crematorium Reserve	To fund future repairs and maintenance.
Development Sites Decontamination Reserve	To provide for the costs of any decontamination of development sites for which the Council may have liability.
Economic Impact Reserve	To provide resources to offset the impact of the potential downturn of the economy and consequent potential overspends to the Council's budget.
High Street Innovation	To assist with regeneration of Town Centres.
Homelessness Prevention Reserve	To assist with homelessness among young people.
Housing Benefit Subsidy Reserve	This reserve has been created to meet any subsidy clawback by DWP.
Housing Planning Delivery Grant Reserve	This grant was introduced to reward authorities for improved delivery of housing and other planning outcomes.
Invest to Save Reserve	To support schemes where initial expenditure will produce longer term savings.
LA Business Growth Incentive Reserve	Government grant received in respect of business rate growth.
Le Marie Centre Repairs Reserve	To help meet the Council's obligation as landlord.
Leisure Structural Maintenance Reserve	To fund future structural maintenance needs not covered within the existing Leisure services contract.
Local Development Framework Reserve	To help fund the costs of the production of the Local Development Plan.
Multi Storey Car Park Repair Reserve	To provide funds towards major structural works.
New Homes Bonus Reserve	Government grant received in respect of new homes built.
NNDR Collection Fund Reserve	To support the NNDR Collection Fund Deficit.
Parks, Waste & Street Strategy Reserve	To support the Council's parks, waste and street cleansing strategy.
Pension Funding Reserve	To meet one off pension costs and redundancy programme.
Performance Reward Grant Reserve	This is grant allocated for use in conjunction with the LSP, based on the achievement of performance targets.
Projects and Programme Management Reserve	This supports the Council's major project programme
Rent Deposit Guarantee Scheme Reserve	To assist in the provision of homelessness accommodation.
Vehicle Replacement Reserve	To provide for the replacement of the Council's refuse freighters.
Weekly Collection Support Grant Reserve	Grant received to support the weekly domestic waste collection.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## d) General Fund Balance

The General Fund balance are resources available to meet future running costs. The unallocated accumulated balances on the General Fund is set out below:

2013/14 £000		2014/15 £000
1,350	Balance brought forward at 1 April	1,350
8,914	Net increase/(decrease) before transfers to earmarked reserves	1,431
(8,914)	Transfer (to)/from earmarked reserves	(1,431)
<b>1,350</b>	<b>Balance carried forward at 31 March</b>	<b>1,350</b>

## 35 Unusable Reserves

### a) Movement in Unusable Reserves

Details of the movements relating to individual unusable reserves are shown below:

Balance at 31 Mar 14 £000	Reserve	Net Movem't in year £000	Balance at 31 Mar 15 £000	Further Detail Note
(104)	Accumulated Absences Reserve	4	(100)	35b
145,675	Capital Adjustment Account	25,096	170,771	35c
(4,371)	Collection Fund Account	1,293	(3,078)	35d
(84)	Deferred Capital Payments	0	(84)	35e
10,300	Deferred Capital Receipts	(9,109)	1,191	35f
(75)	Financial Instruments Account	(1)	(76)	35g
(61,447)	Pensions Reserve	(4,592)	(66,039)	32
11,528	Revaluation Reserve	7,331	18,859	35i
<b>101,422</b>	<b>Total Net Worth</b>	<b>20,022</b>	<b>121,444</b>	

### b) Accumulated Absences Reserve

The Accumulated Absences Reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this Reserve.

2013/14 £000		2014/15 £000
(89)	Balance brought forward at 1 April	(104)
(15)	Employee costs accrued	3
<b>(104)</b>	<b>Balance carried forward at 31 March</b>	<b>(101)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of long-term assets and for financing the acquisition, construction or enhancements of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement of property, plant and equipment and credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement of these assets.

2013/14 £000		2014/15 £000
151,477	Balance brought forward at 1 April	145,675
	Reversal of items relating to capital debited or credited to the CIES	
(2,569)	Charges for depreciation and impairment of long-term assets	(3,249)
220	Charges for depreciation against Revaluation Reserve	222
(352)	Revaluation gains / (losses) on Long-term Assets	(1,040)
(3,161)	Revenue Expenditure Funded from Capital under Statute	(1,137)
(3,297)	Disposals of Property, Plant and Equipment	(95)
(9,159)		(5,299)
	Capital financing applied in the year:	
7,291	Capital receipts	5,292
973	Government Grants and Other Contributions	619
2,637	S106 Contributions	1,322
171	Capital Fund Reserve	1,642
35	Development Sites Decontamination Reserve	628
1,445	Weekly Collection Support Grant Reserve	0
12,552		9,503
	Other Movements:	
8	Minimum Revenue Provision relating to finance lease payments	0
0	Transfer relating to Heritage Assets	100
0	Relating to write out of Capital Exp not adding value	(2,556)
(9,107)	Transfer from Deferred Capital Receipts relating to Assets Held For Sale	9,000
(96)	Transfer from Deferred Capital Payments relating to Finance Leases	0
0	Movement in Fair Value of Investment Properties	14,348
145,675	Balance carried forward at 31 March	170,771

## NOTES TO THE CORE FINANCIAL STATEMENTS

The credit balance on the Account shows that capital financing has been set aside at a faster rate than long-term assets have been consumed, and the Council has a nominal surplus when comparing financing to consumption of resources.

### d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. For further details see the Collection Fund Notes within the supplementary financial statements.

2013/14 £000		2014/15 £000
31	Balance brought forward at 1 April	(4,371)
(4,402)	Amount by which council tax income and business rates is credited to CI&E is different from the council tax income and business rates calculated for the year in accordance with statutory requirements	1,293
<b>(4,371)</b>	<b>Balance carried forward at 31 March</b>	<b>(3,078)</b>

### e) Deferred Capital Payments

Deferred capital payments are amounts representing capital payments from the purchase of long-term assets that will be paid by the Council in instalments over an agreed number of years.

2013/14 £000		2014/15 £000
(294)	Balance brought forward at 1 April	(84)
114	Revenue Contribution to Capital	0
96	Transfer to the Capital Adjustment Account relating to finance leases	0
<b>(84)</b>	<b>Balance carried forward at 31 March</b>	<b>(84)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### f) Deferred Capital Receipts

Deferred capital receipts are amounts representing capital receipts from the sale of long-term assets that will be repaid to the Council in instalments over an agreed number of years. They have arisen from loans to community groups, which forms part of long term debtors. In addition, equity interest in the rent to mortgage scheme is included in the total deferred credit and amounts to £0.968 million (2013/14 £0.968 million).

2013/14 £000		2014/15 £000
1,265	Balance Brought Forward at 1 April	10,300
(2)	Adjustment for Finance lease payments	(2)
0	Disposal of Assets Held for Sale (Current Assets)	(107)
9,107	Transfer from the Capital Adjustment Account relating to Assets Held For Sale	(9,000)
(77)	Disposal of Rent to Mortgage Properties	0
7	Charges Registered to Properties (Other CIES)	7
0	Other Movements	(6)
<b>10,300</b>	<b>Balance carried forward at 31 March</b>	<b>1,192</b>

### g) Financial Instruments Adjustment Account

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.

2013/14 £000		2014/15 £000
(75)	Balance brought forward at 1 April	(75)
0	Financing costs written out	0
<b>(75)</b>	<b>Balance carried forward at 31 March</b>	<b>(75)</b>

### h) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employments benefits and for funding benefits in accordance with statutory provisions. For further details see Note 32.

### i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from 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
- disposed of and the gains are realised



## NOTES TO THE CORE FINANCIAL STATEMENTS

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/14 £000		2014/15 £000
10,595	Balance brought forward at 1 April	11,528
1,153	Gains / (Losses) on revaluation of long-term assets (Other CIES)	12,637
(220)	Historical Cost depreciation adjustment	(222)
<b>11,528</b>	<b>Balance carried forward at 31 March</b>	<b>23,943</b>

### 36 Disclosure of Nature and Extent of Risk Arising from Financial Instruments

#### Financial Instruments - Balances

The Balance Sheet includes the following financial instruments:

31 Mar 14 £000		31 Mar 15 £000
	<b>Other Financial Liabilities</b>	
(70)	Deferred Liabilities	12
(16,872)	Short Term Creditors	(18,490)
(1,111)	Short Term Borrowing	0
	<b>Loans and Receivables</b>	
1,575	Long Term Debtors	2,381
21,205	Short Term Debtors	14,972
31,496	Short Term Investments	37,986
2,911	Cash and Cash Equivalents	7,994
<b>39,134</b>	<b>Total</b>	<b>44,855</b>

#### Fair Value

Long term debtors comprise mortgages and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value. The Council borrowed on behalf of the LABV, £6.0m from the Growing Places Fund. At 31 March 2015, the Council had £6.0m external debt.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has a 125 year loan to the Y.M.C.A. in respect of accommodation at less than market rate (soft loan). The interest foregone over the life of the loan is recognised in the Financial Instruments Adjustment Account on the Balance Sheet. Interest of £1,000 (2013/14: £1,000) is recorded as a gain in the Comprehensive Income and Expenditure Account and reflected as a reduction in the Financial Instruments Adjustment Account.

### Key Risks

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

- **Credit risk** the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk** the possibility that the Council might not have funds available to meet its commitments to make payments
- **Re-financing risk** the possibility that the Council might be requiring to renew a financial instrument at disadvantageous interest rates or terms
- **Market risk** the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements

### Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing
  - its maximum and minimum exposures to fixed and variable rates
  - its maximum and minimum exposures to the maturity structure of its debt
  - its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

These are required to be reported and approved at or before the annual meeting where the Council agrees its budget and sets the council tax, or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 29th January 2014 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2014/15 was set at £13 million (2013/14: £10 million). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £10 million (2013/14: £3 million). This is the expected level of debt and other long term liabilities during the year

## NOTES TO THE CORE FINANCIAL STATEMENTS

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### **Credit risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

One long-standing investment for £3m, which met the criteria when placed, does not meet the Council's current criteria. However, because it was placed to support local businesses, its continuing use as a counterparty has been approved by Leadership Team.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies 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 of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, and individual credit limits are set where appropriate.

### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need. It currently has no longer term borrowing requirements. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council does not generally allow credit for its trade debtors, such that £0.366 million (2013/14: £0.297 million) of the £9.385 million (2013/14: £10.361 million) balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 14 £000		31 Mar 15 £000
43	Less than 3 months	92
84	More than 3 months, less than 1 year	76
170	More than 1 year	198
<b>297</b>	<b>Total</b>	<b>366</b>

### Refinancing and Maturity risk

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Council maintains a significant investment portfolio and currently has no long-term debt outstanding. The longer-term risk to the Council relates to managing the exposure to replacing its investments as they mature.

The maturity analysis of the Council's investments at 31 March 2015 is as follows:-

31 Mar 14 £000		31 Mar 15 £000
31,496	Less than 1 year	37,986
<b>31,496</b>	<b>Total</b>	<b>37,986</b>

### Market Risk

#### *Interest Rate Risk*

The Council's cash investments are exposed to interest rate movements. For instance, a rise in variable and fixed interest rates would have the effect of increasing the income credited to the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

## NOTES TO THE CORE FINANCIAL STATEMENTS

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2013/14 £000		2014/15 £000
298	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	310

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### ***Price Risk***

The Council has no shareholdings that might expose it to this kind of risk.

### ***Foreign Exchange Risk***

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

# COLLECTION FUND

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

2013/14		Note	2014/15		
£000	£000		£000	£000	£000
			Business		
			Council Tax	Rates	Total
	<b>Income</b>				
46,910	Council Tax Payers	CF1	47,865		
66,093	Business Rate Payers	CF2		64,689	
(3,455)	Business Rate Transitional Protection			0	
	Deferred Income for Small Business Rates			222	
	Reduction in Bad Debt Provision		426		
	Contributions towards previous year's deficit				
0	Council Tax		0		
0	Business Rates		0	13,302	
	<b>Total Income</b>		<b>48,291</b>	<b>78,213</b>	<b>126,504</b>
	<b>Expenditure</b>				
	Council Tax				
44,613	Precepts and Demands	CF3	45,664		
	Bad and Doubtful Debts				
729	Increase in Provision		0		
	Business Rates	CF4			
33,386	Shares to Preceptors and the Council			32,595	
33,386	Central Government Share			32,596	
0	Transitional Payments	CF2	0	1,131	
	Bad and Doubtful Debts and Appeals				
1,139	Write-offs				
6,173	Increase in Provision			8,924	
206	Cost of Collection			174	
	Contributions towards previous year's surplus				
0	Council Tax		1,559	0	
0	Business Rates		0	0	
	<b>Total Expenditure</b>		<b>47,223</b>	<b>75,420</b>	<b>122,643</b>
	<b>(Increase) / Decrease in Collection Fund Balance</b>	CF5	<b>(1,068)</b>	<b>(2,793)</b>	<b>(3,861)</b>
	Fund Balance - (Surplus) / Deficit at 1 April		(1,757)	11,652	9,895
	<b>Fund Balance - (Surplus) / Deficit at 31 March</b>	CF5	<b>(2,825)</b>	<b>8,859</b>	<b>6,034</b>

# NOTES TO THE COLLECTION FUND

## CF1 Council Tax Payers

The charge for council tax is based on the total number of dwellings in each of eight bands at 1 April 1991 valuations. This is adjusted for dwellings where discounts or exemptions apply and is converted into an "equivalent number of Band D dwellings" where bands below Band D will pay proportionately less than dwellings in higher bands. A further adjustment is made for losses on collection and contributions in lieu of tax in respect of certain government properties. The table below sets out the calculation of the Council Tax Base for 2014/15.

2013/14		2014/15				
Equivalent Number of Band D Dwellings	Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Fraction (Proportion)	Equivalent Number of Band D Dwellings
0.28	A (Disabled Relief)	0.00	(6.08)	(6.08)	5/9	(3.38)
110.73	A	278.00	(126.14)	151.86	6/9	101.24
1,784.07	B	3,896.00	(1,499.15)	2,396.85	7/9	1,864.22
9,100.68	C	13,885.00	(3,364.20)	10,520.80	8/9	9,351.82
9,815.52	D	12,311.00	(2,271.90)	10,039.10	9/9	10,039.10
3,741.86	E	3,574.00	(452.43)	3,121.57	11/9	3,815.25
2,804.22	F	2,134.00	(168.32)	1,965.68	13/9	2,839.32
2,835.93	G	1,861.00	(123.20)	1,737.80	15/9	2,896.33
135.00	H	82.00	(12.25)	69.75	18/9	139.50
<b>30,328.29</b>		<b>38,021.00</b>	<b>(8,023.67)</b>	<b>29,997.33</b>		<b>31,043.40</b>
(909.85)	Less: Allowance for losses on collection					(931.30)
29,418.45	Tax Base for Calculation of Council Tax					30,112.10
1,514.61	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					1,451.18
<b>30,933.06</b>	<b>Council Tax Base for the Year</b>					<b>31,563.28</b>

Each year, the Council needs to collect enough money from local residents to cover the cost of the services it provides which is not funded by government grants and charges for services. It also collects charges for Hertfordshire County Council and the Hertfordshire Police. The total is divided by the tax base for the purposes of calculating the council tax to arrive at an average Band D tax per dwelling. The Council set an average council tax charge for Band D dwellings of £1,516.49 (£1,516.49 for 2013/14, no change).

## NOTES TO THE COLLECTION FUND

2013/14 £000		2014/15 £000
46,910	Gross Council Tax Charge	47,865
<b>46,910</b>	<b>Income from Council Tax Payers</b>	<b>47,865</b>

### CF2 Business Rate Payers

In line with the Local Government Act 2003, from 1 April 2005, all business premises are subject to a tax known as National Non-Domestic Rates (NNDR). The tax is calculated using local rateable values which are then multiplied by a uniform rate.

The relevant rateable value and multiplier data is shown below:

2013/14 £		2014/15 £
157,928,359	Total Non-domestic Rateable Value at 31 March	156,315,614
47.1	National Non-domestic Rate Multiplier - Standard	48.2
46.2	National Non-domestic Rate Multiplier - Small	47.1

Small Business Rate Relief came into effect on 1 April 2005. It is generally available to ratepayers who have only one business property with a rateable value of less than £18,000.

Until 31 March 2013, the Council was responsible for collecting the total amount of NNDR payable, less certain reliefs and other deductions, and paying this into a national pool managed by central government who then re-distributed the pool back to local authorities based on a standard amount per head of the local adult population.

From 1 April 2013, the Hertfordshire County Council share, the Borough share and the Central Government share (after allowable deductions) are paid direct from the Collection Fund.



## NOTES TO THE COLLECTION FUND

### CF3 Precepts And Demands - Council Tax

The breakdown of precepts and demands on the Collection Fund are detailed below:

2013/14 £000	Council Tax	2014/15 £000
32,914	Precepts:	33,690
4,349	Hertfordshire County Council	4,451
	Hertfordshire Police	
7,350	Demand:	7,523
	Watford Borough Council	
<b>44,613</b>	<b>Total</b>	<b>45,664</b>

### CF4 Shares - Business Rates

2013/14 £000	Business Rates	2014/15 £000
6,677	Hertfordshire County Council	6,518
26,709	Watford Borough Council	26,077
33,386	Central Government	32,596
<b>66,772</b>	<b>Total</b>	<b>65,191</b>

### CF5 Distribution of Balances

Based on the precepts and demands made in 2014/15, balances relating to the collection fund have been apportioned between the local authorities and central government, and are reflected on their balance sheets as follows:

2013/14 Total £000	Council Tax	Herts County Council £000	Herts Police £000	Watford Borough Council £000	2014/15 Total £000
5,775	Gross Arrears	4,125	545	921	5,591
(859)	Less: Prepayments	(613)	(81)	(137)	(831)
4,916	Net Arrears	3,512	464	784	4,760
4,220	Provision for Doubtful Debts	2,573	340	574	3,487
(1,758)	Collection Fund Balance	(2,085)	(275)	(466)	(2,826)

## NOTES TO THE COLLECTION FUND

Central Government 2013/14 £000	Business Rates	Herts County Council £000	Watford Borough Council £000	Central Government £000	2014/15 Total £000
4,904	Gross Arrears	396	1,585	1,981	3,962
(2,265)	Less: Prepayments & Credits	(210)	(840)	(1,050)	(2,101)
2,639	Net Arrears	186	745	931	1,861
2,044	Provision for Doubtful Debts	215	860	1,074	2,149
6,040	Provision for Appeals	1,404	5,614	7,018	14,036
11,653	Collection Fund Balance	886	3,544	4,429	8,859

Surpluses/Deficits on the Council Tax element of the Collection Fund balance are distributed/recovered in the subsequent year as an adjustment to the Council Tax charge.

The Borough and County Council shares of Surpluses/Deficits on the Business Rates element of the Collection Fund balance are also distributed/recovered in the subsequent year as an adjustment to the Council Tax charge, but variations are mitigated by use of a Levy or Safety-Net payment to/from Central Government.

### CF6 Collection Fund Surpluses and Deficits

The Council Tax surplus that was generated up to 31 March 2014 was distributed to Herfordshire County Council, Hertfordshire Police and Crime Commissioner and Watford Borough Council during 2014/15. The distribution was made in proportion to the value of the respective precepts and demands made by the bodies on the Collection Fund. The amounts are shown below:-

2013/14 Total £000	Council Tax	Herts County Council £000	Herts Police £000	Watford Borough Council £000	2014/15 Total £000
0	Surplus Distribution	1,150	152	257	1,559

The Council Tax surplus of £2,825,964.72 at 31st March 2015 will be distributed in subsequent financial years

The Business Rates deficit at 31 March 2014 will be recovered in subsequent financial years from the Council, Central Government and Herfordshire County Council in proportion to the value of the respective shares of the Business Rates Retention Scheme.



# GROUP ACCOUNTS

2014/2015

# GROUP STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Share of JV Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>GROUP STATEMENT OF MOVEMENT IN RESERVES</b>							
<b>Balance at 1 April 2013</b>	<b>1,350</b>	<b>13,362</b>	<b>12,616</b>	<b>0</b>	<b>27,328</b>	<b>96,563</b>	<b>123,891</b>
<b>Movement in Reserves during 2013/14</b>							
(Surplus) or deficit on provision of services	4,388	0	0	0	<b>4,388</b>	0	<b>4,388</b>
Other Comprehensive Expenditure and Income	8,776	0	0	0	<b>8,776</b>	0	<b>8,776</b>
<b>Total Comprehensive Expenditure and Income (CI&amp;E)</b>	<b>13,164</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,164</b>	<b>0</b>	<b>13,164</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>							
<u>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</u>							
Charges for depreciation of long-term assets	2,569	0	0	0	<b>2,569</b>	(2,569)	<b>0</b>
Revaluation gains / (losses) on long-term assets	352	0	0	0	<b>352</b>	(352)	<b>0</b>
(Gains) / Losses on disposal of long-term assets	(630)	0	0	0	<b>(630)</b>	630	<b>0</b>
(Surplus) / Deficit on revaluation of long-term assets	(1,160)	0	0	0	<b>(1,160)</b>	1,160	<b>0</b>
Capital grants & contributions applied	(3,610)	0	0	0	<b>(3,610)</b>	3,610	<b>0</b>
Revenue expenditure funded from capital under statute	3,161	0	0	0	<b>3,161</b>	(3,161)	<b>0</b>
Minimum Revenue Provision	(236)	0	0	0	<b>(236)</b>	236	<b>0</b>
Revenue Contribution to Capital	114	0	0	0	<b>114</b>	(114)	<b>0</b>
Adjustment for Finance lease payments	2	0	0	0	<b>2</b>	(2)	<b>0</b>
<u>Adjustments primarily involving the Capital Receipts Reserve</u>					<b>0</b>		
Use of capital receipts reserve to finance new capital expenditure	0	0	(7,291)	0	<b>(7,291)</b>	7,291	<b>0</b>
Proceeds from sale of long-term assets	0	0	4,004	0	<b>4,004</b>	(4,004)	<b>0</b>
Unattached capital receipts	(4,372)	0	4,372	0	<b>0</b>	0	<b>0</b>
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>					<b>0</b>		
Collection Fund adjustment in accordance with statutory requirements	4,402	0	0	0	<b>4,402</b>	(4,402)	<b>0</b>
<u>Adjustments primarily involving the Accumulated Absences Reserve:</u>					<b>0</b>		<b>0</b>
Accrued employee benefits adjustment in accordance with statutory requirements	15	0	0	0	<b>15</b>	(15)	<b>0</b>
<u>Adjustments primarily involving the Pensions Reserve:</u>					<b>0</b>		
Employer's pension contributions and direct payments to pensioners payable in year	(2,454)	0	0	0	<b>(2,454)</b>	2,454	<b>0</b>
Actuarial (gains) / losses on pension fund assets / liabilities	(7,616)	0	0	0	<b>(7,616)</b>	7,616	<b>0</b>
Reversal of items relating to retirement benefits debited or credited to the CI&E	5,170	0	0	0	<b>5,170</b>	(5,170)	<b>0</b>
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>							
Differences between amounts payable/receivable to be recognised under statutory provisions relating to soft loans	0	0	0	0	<b>0</b>	0	<b>0</b>
<u>Adjustments primarily involving the Share of Joint Venture Reserve:</u>							
Share of (Surplus) / Deficit on Provision of Services by Joint Venture	42	0	0	(42)	<b>0</b>	0	<b>0</b>
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>8,913</b>	<b>0</b>	<b>1,085</b>	<b>(42)</b>	<b>9,956</b>	<b>3,208</b>	<b>13,164</b>

# GROUP STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Share of JV Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>GROUP STATEMENT OF MOVEMENT IN RESERVES</b>							
<b>Transfers to/from earmarked reserves</b>							
Budget Carry Forward Reserve	(105)	105	0	0	0	0	0
Capital Fund Reserve	0	(171)	0	0	(171)	171	0
Car Parking Zones Reserve	(33)	33	0	0	0	0	0
Charter Place Tenants Reserve	220	(220)	0	0	0	0	0
Climate Change Reserve	(20)	20	0	0	0	0	0
Development Sites Decontamination Reserve	0	(35)	0	0	(35)	35	0
Economic Impact Reserve	(104)	104	0	0	0	0	0
High Street Innovation	10	(10)	0	0	0	0	0
Housing Planning Delivery Grant Reserve	35	(35)	0	0	0	0	0
Invest to Save Reserve	416	(416)	0	0	0	0	0
LA Business Growth Incentive Reserve (LABGI)	43	(43)	0	0	0	0	0
New Homes Bonus Reserve	(2,069)	2,069	0	0	0	0	0
NNDR Collection Fund Reserve	(4,661)	4,661	0	0	0	0	0
Parks, Waste & Street Strategy Reserve	(60)	60	0	0	0	0	0
Pension Funding Reserve	(874)	874	0	0	0	0	0
Performance Reward Grant Reserve (revenue)	28	(28)	0	0	0	0	0
Recycling Reserve	13	(13)	0	0	0	0	0
Vehicle Replacement Reserve	(150)	150	0	0	0	0	0
Weekly Collection Support Grant Reserve	(1,603)	158	0	0	(1,445)	1,445	0
<b>Transfers to/from earmarked reserves</b>	<b>(8,914)</b>	<b>7,263</b>	<b>0</b>	<b>0</b>	<b>(1,651)</b>	<b>1,651</b>	<b>0</b>
<b>Increase / Decrease in 2012/14</b>	<b>0</b>	<b>7,263</b>	<b>1,085</b>	<b>(42)</b>	<b>8,305</b>	<b>4,859</b>	<b>13,164</b>
<b>Balance as at 31 March 2014</b>	<b>1,350</b>	<b>20,625</b>	<b>13,701</b>	<b>(42)</b>	<b>35,633</b>	<b>101,422</b>	<b>137,055</b>

# GROUP STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Share of JV Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>GROUP STATEMENT OF MOVEMENT IN RESERVES</b>							
<b>Balance at 1 April 2014</b>	<b>1,350</b>	<b>20,625</b>	<b>13,701</b>	<b>(42)</b>	<b>35,633</b>	<b>101,422</b>	<b>137,055</b>
<b>Movement in Reserves during 2014/15</b>							
(Surplus) or deficit on provision of services	16,944	0	0	0	16,944	0	16,944
Other Comprehensive Expenditure and Income (OCIE)	2,997	0	0	0	2,997	0	2,997
<b>Total Comprehensive Expenditure and Income (CI&amp;E)</b>	<b>19,941</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,941</b>	<b>0</b>	<b>19,941</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>							
<u>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</u>							
Charges for depreciation of long-term assets	3,249	0	0	0	3,249	(3,249)	0
Revaluation (gains) / losses on long-term assets	(16,553)	0	0	0	(16,553)	16,553	0
(Gains) / Losses on disposal of long-term assets	12	0	0	0	12	(12)	0
(Surplus) / Deficit on revaluation of long-term assets (OCIE)	(6,824)	0	0	0	(6,824)	6,824	0
Capital grants & contributions applied	(1,941)	0	0	0	(1,941)	1,941	0
Revenue expenditure funded from capital under statute	1,137	0	0	0	1,137	(1,137)	0
Minimum Revenue Provision	(1)	0	0	0	(1)	1	0
Revenue Contribution to Capital	0	0	0	0	0	0	0
Adjustment for Finance lease payments	0	0	0	0	0	0	0
<u>Adjustments primarily involving the Capital Receipts Reserve</u>							
Use of capital receipts reserve to finance new capital expenditure	0	0	(5,291)	0	(5,291)	5,291	0
Proceeds from sale of long-term assets	0	0	307	0	307	(307)	0
Unattached capital receipts	(3,659)	0	3,659	0	0	0	0
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>							
Collection Fund adjustment in accordance with statutory requirements	1,293	0	0	0	1,293	(1,293)	0
<u>Adjustments primarily involving the Accumulated Absences Reserve:</u>							
Accrued employee benefits adjustment in accordance with statutory requirements	(3)	0	0	0	(3)	3	0
<u>Adjustments primarily involving the Pensions Reserve:</u>							
Employer's pension contributions and direct payments to pensioners payable in year	(3,193)	0	0	0	(3,193)	3,193	0
Actuarial (gains) / losses on pension fund assets / liabilities (OCIE)	3,827	0	0	0	3,827	(3,827)	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	3,959	0	0	0	3,959	(3,959)	0
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>							
Differences between amounts payable/receivable to be recognised under statutory provisions relating to soft loans	0	0	0	0	0	0	0
<u>Adjustments primarily involving the Share of Joint Venture Reserve:</u>							
Share of (Surplus) / Deficit on Provision of Services by Joint Venture	22	0	0	(22)	0	0	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>1,266</b>	<b>0</b>	<b>(1,325)</b>	<b>(22)</b>	<b>(81)</b>	<b>20,022</b>	<b>19,941</b>

# GROUP STATEMENT OF MOVEMENT IN RESERVES

-continued

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Share of JV Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>GROUP STATEMENT OF MOVEMENT IN RESERVES</b>							
<b>Transfers to/from earmarked reserves</b>							
Budget Carry Forward Reserve	(1,273)	1,273	0	0	0	0	0
Capital Fund Reserve	1,642	(1,642)	0	0	0	0	0
Car Parking Zones Reserve	(77)	77	0	0	0	0	0
Charter Place Tenants Reserve	0	0	0	0	0	0	0
Climate Change Reserve	0	0	0	0	0	0	0
Crematorium	(50)	50	0	0	0	0	0
Development Sites Decontamination Reserve	629	(629)	0	0	0	0	0
Economic Impact Reserve	(160)	160	0	0	0	0	0
High Street Innovation	0	0	0	0	0	0	0
Housing Planning Delivery Grant Reserve	0	0	0	0	0	0	0
Invest to Save Reserve	0	0	0	0	0	0	0
LA Business Growth Incentive Reserve (LABGI)	0	0	0	0	0	0	0
Local Development Framework	55	(55)	0	0	0	0	0
New Homes Bonus Reserve	(1,000)	1,000	0	0	0	0	0
NNDR Collection Fund Reserve	0	0	0	0	0	0	0
Parks, Waste & Street Strategy Reserve	0	0	0	0	0	0	0
Pension Funding Reserve	0	0	0	0	0	0	0
Performance Reward Grant Reserve (Revenue)	3	(3)	0	0	0	0	0
Projects and Programme Management	0	1,000	0	0	1,000	0	1,000
Recycling Reserve	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!
Vehicle Replacement Reserve	0	0	0	0	0	0	0
Weekly Collection Support Grant Reserve	(35)	35	0	0	0	0	0
<b>Transfers to/from earmarked reserves</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>
<b>Increase / Decrease in 2014/15</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>
<b>Balance as at 31 March 2015</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>	<b>#REF!</b>
					#REF!	#REF!	

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 NET EXPEND- ITURE £000	GROUP CIES STATEMENT	Note	2014/15		
			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
	Central Services to the Public:				
783	Local Taxation Collection		1,187	(289)	898
561	Other Central Services		873	(358)	515
	Cultural and Related Services:				
4,708	Leisure Services		5,008	(1,727)	3,281
727	Other Services		781	(96)	685
	Environmental and Regulatory Services:				
293	Cemeteries and Crematoria		223	(269)	(46)
2,265	Environmental Health		2,215	(509)	1,706
4,355	Waste Collection and Disposal		5,857	(1,253)	4,604
8,881	Planning and Economic Development		4,839	(1,747)	3,092
(112)	Highways and Transport Services		2,492	(2,721)	(229)
2,434	Other Housing Services		44,043	(41,792)	2,251
2,815	Corporate and Democratic Core		3,251	0	3,251
0	Central Support Services		201	(201)	0
104	Non-distributed Costs		2,228	0	2,228
<b>27,814</b>	<b>Net Cost of Services</b>		<b>73,198</b>	<b>(50,962)</b>	<b>22,236</b>
	<b>Other Operating (Income) and Expenditure</b>				
(631)	(Gains) / Losses on disposal of long-term assets				(83)
(4,372)	Unattached capital receipts				(3,658)
(61)	Other Operating (Income) and Expenditure				383
	<b>Financing and Investment (Income)/Expenditure</b>				
82	Interest payable and similar charges				1
2,978	Pension interest costs & expected return on assets				2,483
(266)	Interest receivable and similar income				(236)
0	(Surplus) or deficit on trading undertakings not included in Net				0
(5,131)	Cost of Services				(5,238)
(3,912)	Changes in the fair value of Investment Properties				(14,348)
0	Other Investment (Income) / Expenditure				0
	<b>Taxation and Non-Specific Grant Income</b>				
(7,350)	Council Tax Income				(7,956)
(1,725)	Non-domestic Rates Redistribution				(2,116)
(8,454)	Non-ringfenced Government Grants				(8,434)
(3,402)	Capital Grants and Contributions				0
<b>(4,430)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(16,966)</b>
42	Share of (Surplus) / Deficit on Provision of Services by Joint Venture	2			22
<b>(4,388)</b>	<b>Group (Surplus) / Deficit</b>				<b>(16,944)</b>
(1,160)	(Surplus) / Deficit on revaluation of long-term assets				(6,824)
(7,616)	Actuarial (gains) or losses on pension assets and liabilities				3,827
<b>(8,776)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(2,997)</b>
<b>(13,164)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(19,941)</b>



# GROUP BALANCE SHEET

31 March 2014 £000	£000	GROUP BALANCE SHEET AS AT 31st MARCH 2015	Note	31 March 2015 £000	£000
41,509		Land and Buildings		51,252	
11,026		Vehicles, Plant and Equipment		7,112	
1,866		Infrastructure Assets		2,273	
2,045		Heritage Assets		1,945	
98,097		Investment Properties		120,121	
0		Assets Under Construction		687	
900		Surplus Assets		9,300	
1,118		Long Term Debtors & Investments		1,114	
	<b>156,561</b>	<b>Long Term Assets</b>			<b>193,804</b>
18,214		Assets Held for Sale		0	
88		Inventories and Work In Progress		101	
21,518		Short Term Debtors		15,330	
31,496		Short Term Investments		37,986	
3,419		Cash and Cash Equivalents		10,068	
	<b>74,735</b>	<b>Current Assets</b>			<b>63,485</b>
(18,457)		Short Term Creditors		(18,547)	
(1,111)		Short Term Borrowing		(2,030)	
	<b>(19,568)</b>	<b>Current Liabilities</b>			<b>(20,577)</b>
(2,690)		Government Grants & Other Contributions in Advance		(1,861)	
(70)		Deferred Liabilities		12	
(6,000)		Loans		(6,000)	
(139)		Provisions		(5,827)	
(61,447)		Liability related to Defined Benefit Pension Scheme		(66,039)	
	<b>(70,346)</b>	<b>Long Term Liabilities</b>			<b>(79,715)</b>
	<b>141,382</b>	<b>Net Assets</b>			<b>156,997</b>
14,786		Capital Receipts Reserve		12,376	
27,888		Earmarked Reserves		21,891	
1,350		General Fund Balance		1,350	
(42)		Share of Joint Venture Reserve		(64)	
	<b>43,982</b>	<b>Usable Reserves</b>			<b>35,553</b>
(119)		Accumulated Absences Reserve		(100)	
139,873		Capital Adjustment Account		170,771	
(8,773)		Collection Fund Adjustment Account		(3,078)	
126		Deferred Capital Payments		(84)	
19,335		Deferred Capital Receipts		1,191	
(75)		Financial Instruments Adjustment Account		(76)	
(61,447)		Pensions Reserve		(66,039)	
12,461		Revaluation Reserve		18,859	
	<b>101,381</b>	<b>Unusable Reserves</b>			<b>121,444</b>
	<b>145,363</b>	<b>Total Reserves</b>			<b>156,997</b>

The Group Balance Sheet shows the Council's position at the end of the year for all activities and services, all internal transactions have been eliminated.

Signed .....  
**Joanne Wagstaffe CPFA**  
**Director of Finance**

**Date: 30 June 2015**

Signed .....  
**Ian Brown**  
**Chairman of Audit Committee**

**Date: xx September 2015**

# GROUP CASH FLOW STATEMENT

2013/14		GROUP CASH FLOW STATEMENT	Note	2014/15	
£000	£000			£000	£000
4,631		<b>Net (surplus) or deficit on the provision of services</b>		18,299	
2,815		Adjustments to net surplus or deficit on the provision of services for non cash movements		(406)	
(184)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities		(235)	
	7,262				17,658
(82)		Interest element of finance lease payments		(1)	
266		Interest received		236	
	184				235
	7,446	<b>Net cash flows from Operating Activities</b>			17,893
		<b>Investing and Financing Activities</b>			
(8,887)		Purchase of Long Term Assets		(5,740)	
(3,365)		Other payments for investing activities		(3,763)	
3,610		Grants and Contributions Applied to Capital Expenditure		(2,500)	
(280,325)		Purchase of short term and long term investments		(87,690)	
276,947		Proceeds from the sale of investments		81,200	
3,374		Proceeds from the sale of Long Term Assets		319	
(2,094)		Movement in Grants and Contributions Unapplied		(511)	
5,700		Long Term Loans		(400)	
	(5,040)				(19,085)
	2,406	<b>Net increase/(decrease) in cash and cash equivalents</b>			(1,192)
(98)		<b>Cash and Cash equivalents at the beginning of the reporting period</b>			1,800
	2,308	<b>Cash and Cash equivalents at the end of the reporting period</b>	27		608

# NOTES TO THE GROUP ACCOUNTS

## 1 The Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2014/15 using the equity method for Joint Ventures under International Accounting Standard 31, Interests in Joint Ventures, and using the line-by-line consolidation method for subsidiaries under International Accounting Standard 27, Consolidated and Separate Financial Statements. There are no material subsidiaries or associated organisations excluded from the Group Accounts. There are no material differences in the accounting policies of the Council or any of the companies or organisations forming part of the Group Accounts.

## 2 Watford Borough Council's Share in Joint Venture Company Within the Group

On 7th May 2013, the Council took a 50% stake in the Watford Health Campus Partnership Limited Liability Partnership ("the LLP"). The other 50% stake is held by Kier Property Investment Limited. Watford Borough Council's share in the LLP is below:

2013/14 £000		2014/15 £000
(42)	Administrative Expenses	(22)
<b>(42)</b>	<b>Loss for the period</b>	<b>(22)</b>
420	Project under Development (Long Term Assets)	458
73	Work in Progress (Current Assets)	91
17	Debtors (Current Assets)	60
508	Cash and Cash Equivalents (Current Assets)	2,074
(752)	Creditors (Current Liabilities)	(2,030)
(307)	Creditors (Long Term Liabilities)	(717)
<b>(42)</b>	<b>Net Assets</b>	<b>(64)</b>

## 3 Related Party Transactions

During the Period, the LLP entered into transactions with Kier Project Investments, Kier Project Development, Watford Borough Council.

2013/14			2014/15	
Purchases £000	Amounts Outstand- ing at 31 March £000		Purchases £000	Amounts Outstand- ing at 31 March £000
32	0	Kier Project Investment Limited	68	0
61	6	Kier Property Development Limited	122	0
3	0	Watford Borough Council	0	0

## NOTES TO THE GROUP ACCOUNTS

### **Members' Capital Contributions (Loan Notes)**

Watford Borough Council and Kier Property Development Limited made capital contributions of £150,000 2013/14 through Loan Notes A's. Interest of £17,063 has been accrued in respect of these contributions.

### **Grant and interest free loans**

The project has a committed grant of £9.0m from West Hertfordshire Hospital Trust (WHHT) to be used towards the development of infrastructure phase including construction of road and a bridge. The project also includes a committed interest free loan of £3.0m payable in 5 years from the date of first drawdown. The grant and interest free loan are subject to restrictive covenants on utilisation and can only be used to fund infrastructure, planning and other development expenditure. These monies cannot be used to fund property development zones returning profit.

The £0.8m interest free loan received from Watford Borough Council from Growing Places Funding during the period are categorised as a long term liability. (2013/14 £0.3M)

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Accounting Period**

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accruals**

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

### **Amortisation**

The term used to refer to the charging of the value of a transaction or asset (usually related to intangible Long Term Assets) to the Income and Expenditure Account over a period of time, reflecting the value to the Council; similar to the depreciation charge for tangible Long Term Assets.

### **Billing Authority**

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

### **Capital Expenditure**

Spending which produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery, and intangible assets such as computer software. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure which does not fall within the definition must be charged to a revenue account.

### **Capital Receipts**

The proceeds from the sale of Long Term Assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on Long Term Assets or to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

### **Code of Practice on Local Authority Accounting in the United Kingdom (the Code)**

The annual Code of Practice, produced by CIPFA, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a Local Authority.

### **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

### **Contingent Assets/Liabilities**

Potential gains and losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a debtor or provision in the accounts.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a Long Term Asset.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **Earmarked Reserves**

These are funds set aside for a specific purpose, or a particular service, or type of expenditure.

### **Finance Lease**

Arrangement whereby the lessee is treated as the owner of the leased asset, and is required to include such assets within Long Term Assets on the balance sheet.

### **Financial Reporting Standard (FRS)**

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

### **Group Accounts**

Group Accounts are prepared using consistent accounting policies which will require authorities to align their financial statements more closely with International Financial Reporting Standards.

Watford Borough Council has not used acquisitions or mergers accounting methodologies following consideration of the level of involvement with companies, voluntary organisations and other public bodies to determine if there is a requirement to undertake group accounts. There are no subsidiaries, associates or joint ventures.

### **Heritage Assets**

Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

### **IFRS**

International Financial Reporting Standards.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

### **Investments**

Deposits for with approved institutions.

### **Infrastructure Assets**

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

### **Long Term Assets – Tangible**

Tangible assets (i.e. land and buildings) that yield benefits to the Council and the services it provides for a period of more than one year.

### **Long Term Assets – Intangible**

Assets which are of benefit to the organisation, but have no physical presence such as software licences.

### **Long Term Debtors**

Amounts due to the Council more than one year after the Balance Sheet date.

## GLOSSARY OF TERMS AND ABBREVIATIONS

### **National Non-Domestic Rates (NNDR)**

Under the arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collected Non-Domestic Rates for its area based on local rateable values, multiplied by nationally set rates. The total amount, less certain reliefs and deductions, was paid to a central pool managed by the Government, which in turn, paid back to Authorities their share of the pool based on a standard amount per head of the local adult population.

New arrangements for the distribution of NNDR came into force on 1 April 2013.

### **Operational Assets**

Long Term Assets held by the Council and used or consumed in the delivery of its services.

### **Operating Lease**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

### **Pension Fund**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

### **Precept**

The amount by which a Precepting Authority (e.g. a County Council) requires from a Billing Authority (e.g. a District Council) to meet its expenditure requirements.

### **Profit on the Sale of Long Term Assets**

The book value of an asset sold is compared to the net proceeds to calculate the profit or loss on the transaction.

### **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but cannot be measured accurately.

### **Revenue Expenditure Funded From Capital Under Statute**

Capital expenditure which is allowable by statute to be funded from capital resources but which does not fall within the Code of Practice definition of Long Term Assets. Examples include grants and similar advances made to other parties to finance capital investment.

### **Revenue Support Grant**

This funding is a Government Grant provided by the Department for Communities and Local Government (DCLG), which is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

### **Surplus Assets**

Long Term Assets held by an organisation but not directly occupied, used or consumed in the delivery of services, or held as an investment.

# INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATFORD BOROUGH COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of Watford Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15

This report is made solely to the members of Watford Borough 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Director of Finance and auditor

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

### Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



# INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Watford Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income 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 2014/15 and applicable law.

## **Opinion on other matters**

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

## **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

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

### ***Respective responsibilities of the Authority and the auditor***

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

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

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

## INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

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

We have undertaken our 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 2013, as to whether the Authority has proper arrangements for:

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

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

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

### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Watford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### ***Delay in certification of completion of the audit***

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul Dossett, Partner  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
Grant Thornton House  
Melton Street  
Euston  
London  
NW1 2EP

30 September 2015