



PRE AUDIT  
STATEMENT OF ACCOUNTS  
2013/2014



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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 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 2014 and its income and expenditure for the year ended 31 March 2014.

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

**Date: 30 June 2014**

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

**Date: XX September 2014**

# 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

There were some changes to accounting policies in 2013/14 in relation to its investment in the Watford Health Campus Limited Liability Partnership which is a Joint Venture with Kier Property Investment Limited.

The Council is required to prepare 'group accounts' where there are significant interests in other organisations. On 7th May 2013, the Council took a 50% stake in the Watford Health Campus Partnership Limited Liability Partnership. The other 50% stake is held by Kier Property Investment Limited. The Council has prepared Group Accounts on pages 88 to 97. This also resulted in some changes to accounting policies.

In July 2013, the Council outsourced waste, street and parks services to Veolia Environmental Services Limited. Also, in May 2013, ICT Shared Services were outsourced to Capita Secure Information Solutions Limited.

The Council continued to share Revenues and Benefits, Finance, Human Resources and ICT functions with Three Rivers District Council under the governance of a Joint Committee. Separate accounts are published for these activities and the impact on Watford Borough Council included in this Statement of Accounts.

From 1 April 2014, the two Councils have moved to a 'Lead Authority' model for Shared Services.

## 4. Contingent Assets and Liabilities

Note 32 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 30 June 2014.

## EXPLANATORY FOREWORD

### 5. Revenue Activities

#### *Revenue Out-turn 2013/14*

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.

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 (2012/13: £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 the above £8.883m (2012/13: £0.426m).

The major variances are:

- An increase in NNDR funding of £4.223m and Small Business Rate relief of £0.251m compared to the original budget.
- additional weekly collection support grant of £2.001m applied in year
- additional new homes bonus funding of £1.021m
- an increase of £0.342m in ICT Shared Service costs in the year which is expected to generate future savings
- savings of £0.260m in relation to the Veolia outsourcing contract for waste, street and parks services
- operational savings of £0.209m in relation to the lease of Charter Place, including the market to Intu Watford.
- an underspend of £0.563m on the repairs and maintenance of operational buildings due to improved procurement, contract management, contractor selection and reduction in staff costs.

## EXPLANATORY FOREWORD

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

	2013/14	
	Original Net Budget £000	Net Outturn £000
<b>Service Area</b>		
Community and Customer Services	3,562	3,211
Corporate Strategy and Client Services	8,521	8,928
Democracy and Governance	3,771	2,998
Human Resources	745	631
Managing Director	285	234
Regeneration and Development	(4,437)	(4,787)
Strategic Finance	2,574	1,834
<b>Net General Fund</b>	<b>15,021</b>	<b>13,049</b>
<b>Funding</b>		
Council Tax	(7,350)	(7,350)
Council Tax Support Grant	(958)	(958)
Council Tax Transition Grant	(26)	(26)
Council Tax Freeze Grant	(289)	(287)
Revenue Support Grant	(2,862)	(2,862)
Business Rate Relief	0	(251)
NNDR	(1,904)	(6,128)
Weekly Collection Support Grant	0	(2,001)
New Homes Bonus	(1,048)	(2,069)
<b>Total Funding</b>	<b>(14,437)</b>	<b>(21,932)</b>
Net General Fund less total funding	584	(8,883)
Transfers To / (From) Reserves	(584)	8,883
<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 Plan 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 2013/14, 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 accounting treatment 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.

## **6. Capital Activities**

### ***Capital Out-turn 2013/14***

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2013/14 is shown below:

	2013/14		
	Current Budget £000	Actual Out-turn £000	Variance (under) / overspend £000
Key Projects	4,570	4,588	(18)
Environmental Services	2,290	2,307	(17)
Community & Leisure Services	697	755	(58)
Housing Services	368	368	0
Parking Services	16	16	0
Asset Management	1,056	808	248
Information, Communication & Technology (ICT)	198	80	118
Information, Communication & Technology (Shared Services ICT)	222	469	(247)
Section 106 Funded Schemes	2,636	2,609	27
Corporate / Service Project Management	552	552	0
<b>Total</b>	<b>12,605</b>	<b>12,552</b>	<b>53</b>



## EXPLANATORY FOREWORD

The Council planned to complete schemes valued at £12.605m in 2013/14. The Council completed and funded £12.552m worth of work, £7.291m of which was funded from capital receipts, £3.610m from government grants and third party contributions and £1.651m 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 Croxley Rail Link (£2.59m), Cultural Quarter (£2.07m), New Vehicles, Plant and Equipment for Environmental Services (£2.19m) and Green Spaces Strategy (£2.61m). Investment within Watford is seen as a key priority if the Council is to move forward and has been totally financed from internal resources (mainly capital receipts) and government grant as at 31st March 2014.

The Council borrowed £6m for the Health Campus scheme in 2013/14 and a further £4m of borrowing may be required in future years.

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

The Council plans to spend £15.02m on further capital schemes in 2014/15. Of this £9.68m is to be funded from capital receipts, £2.35m from government grants and third party contributions and £2.99m from Reserves.

### **Borrowing Facilities and Capital Borrowing**

The Council on 21st March 2012 approved the ability to borrow up to £10m to facilitate the total regeneration of the Health Campus project, the repayment of such loans being made from development receipts. Other than this project all past and future capital expenditure has / will use internal resources without recourse to borrowing. During the year, the Council borrowed £6m of Growing Places Funding in order to fund the investment in the Watford Health Campus project.

The Council applies the 'Prudential Code for Capital Finance'. The Code is designed to ensure that all external borrowing is within prudent and sustainable levels, that capital expenditure plans are affordable, that treasury management decisions are taken in accordance with good practice and that the Council is accountable by providing a clear and transparent framework. The Council takes into account all sources of future income and the potential calls on the use of that income.

## **7. Pensions**

The Council has disclosed its full liabilities to the Hertfordshire Pension Fund. The Income and Expenditure Account includes the charges made for retirement benefits in accordance with International Accounting Standard 19. The Statement of Movement in Reserves shows how this is adjusted for in the General Fund for the actual amount paid to the Fund in the year (i.e. the amount met from council tax). The balance sheet shows a net liability to the Fund at 31 March 2014 of £61.447m. This has decreased from £66.347m at 31 March 2013 and reflects actuarial changes. There are statutory arrangements for funding the deficit that protect the Council's financial position. Note 31 to the Core Statements of Account provides further information.

Following the results of the triennial valuation of the pension fund, on the advice of the pension fund actuaries, the Council decided to make a contribution of £2.842m over the next three years to reduce the deficit on the pension fund.

## EXPLANATORY FOREWORD

### 8. 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 is aiming to continue 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 significant impairment has been made to assets although provisions for bad debts have been increased to reflect the increased probability that 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 £21.975m (2012/13: £14.712m). The Council also held £13.701m (2012/13: £12.616m) 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 2014***

## ANNUAL GOVERNANCE STATEMENT

This Section will be included in the final version of the Accounts

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## EXPLANATION OF CORE FINANCIAL STATEMENTS

### **Statement of Movement in Reserves (Pages 21 to 24)**

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

### **Comprehensive Income and Expenditure Statement (Page 25)**

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

### **Balance Sheet (Page 26)**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **Cash Flow Statement (Page 27)**

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

# 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 2012</b>	<b>1,350</b>	<b>13,306</b>	<b>12,872</b>	<b>27,528</b>	<b>99,453</b>	<b>126,981</b>
<b>Movement in Reserves during 2012/13</b>						
(Surplus) or deficit on provision of services	4,609	0	0	4,609	0	4,609
Other Comprehensive Expenditure and Income	(7,699)	0	0	(7,699)	0	(7,699)
<b>Total Comprehensive Expenditure and Income (CI&amp;E)</b>	<b>(3,090)</b>	<b>0</b>	<b>0</b>	<b>(3,090)</b>	<b>0</b>	<b>(3,090)</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	2,220	0	0	2,220	(2,220)	0
Revaluation gains / (losses) on long-term assets	(5,317)	0	0	(5,317)	5,317	0
Finance Lease Vehicle Additions	(52)	0	0	(52)	52	0
(Gains) / Losses on disposal of long-term assets	(445)	0	0	(445)	445	0
(Surplus) / Deficit on revaluation of long-term assets	(320)	0	0	(320)	320	0
Capital grants & contributions applied	(1,798)	0	0	(1,798)	1,798	0
Revenue expenditure funded from capital under statute	1,587	0	0	1,587	(1,587)	
Minimum Revenue Provision	(218)	0	0	(218)	218	0
Voluntary Contributions to Reduce the Capital Finance Requirement	(160)	0	0	(160)	160	0
<u>Adjustments primarily involving the Capital Receipts Reserve</u>						
Use of capital receipts reserve to finance new capital expenditure	0	0	(2,787)	(2,787)	2,787	0
Proceeds from sale of long-term assets	0	0	1,384	1,384	(1,384)	
Unattached capital receipts	(1,147)	0	1,147	0	0	0
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Collection Fund adjustment in accordance with statutory requirements	(29)	0	0	(29)	29	0
<u>Adjustments primarily involving the Accumulated Absences Reserve:</u>						
Accrued employee benefits adjustment in accordance with statutory requirements	(22)	0	0	(22)	22	0
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Employer's pension contributions and direct payments to pensioners payable in year	(3,509)	0	0	(3,509)	3,509	0
Actuarial (gains) / losses on pension fund assets / liabilities	8,019	0	0	8,019	(8,019)	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	4,338	0	0	4,338	(4,338)	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	(1)	0	0	(1)	1	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>56</b>	<b>0</b>	<b>(256)</b>	<b>(200)</b>	<b>(2,890)</b>	<b>(3,090)</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	67	(67)	0	0	0	0
Capital Fund Reserve	83	(83)	0	0	0	0
Car Parking Zones Reserve	(22)	22	0	0	0	0
Charter Place Tenants Reserve	96	(96)	0	0	0	0
Climate Change Reserve	12	(12)	0	0	0	0
High Street Innovation	(100)	100	0	0	0	0
Economic Impact Reserve	(286)	286	0	0	0	0
Insurance Fund Reserve	100	(100)	0	0	0	0
Invest to Save Reserve	165	(165)	0	0	0	0
LA Business Growth Incentive Reserve	28	(28)	0	0	0	0
Local Development Framework Reserve	80	(80)	0	0	0	0
Multi-Storey Car Park Repair Reserve	2	(2)	0	0	0	0
Performance Reward Grant Reserve (capital)	(191)	191	0	0	0	0
Performance Reward Grant Reserve (revenue)	60	(60)	0	0	0	0
Vehicle Replacement Reserve	(150)	150	0	0	0	0
<b>Transfers to/from earmarked reserves</b>	<b>(56)</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase / Decrease in 2012/13</b>	<b>0</b>	<b>56</b>	<b>(256)</b>	<b>(200)</b>	<b>(2,890)</b>	<b>(3,090)</b>
<b>Balance as at 31 March 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>



# 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 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 (OCIE)	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 (OCIE)	(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
Adjustment 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 (OCIE)	(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>13,207</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>

0

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# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 NET EXPEND- ITURE £000		Note	2013/14		
			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
	Central Services to the Public:				
1,105	Local Taxation Collection		1,100	(317)	783
718	Other Central Services		992	(431)	561
	Cultural and Related Services:				
4,043	Leisure Services		4,957	(249)	4,708
1,104	Other Services		870	(143)	727
	Environmental and Regulatory Services:				
347	Cemeteries and Crematoria		538	(245)	293
2,616	Environmental Health		2,710	(445)	2,265
3,469	Waste Collection and Disposal		5,296	(941)	4,355
3,487	Planning and Economic Development		10,258	(1,377)	8,881
0	Highways and Transport Services		2,543	(2,655)	(112)
2,715	Other Housing Services		42,487	(40,053)	2,434
3,403	Corporate and Democratic Core		2,850	(35)	2,815
0	Central Support Services		162	(162)	0
138	Non-distributed Costs		104	0	104
<b>23,145</b>	<b>Net Cost of Services</b>		<b>74,867</b>	<b>(47,053)</b>	<b>27,814</b>
	<b>Other Operating (Income) and Expenditure</b>				
(445)	(Gains) / Losses on disposal of long-term assets				(631)
(1,147)	Unattached capital receipts				(4,372)
0	Other Operating (Income) and Expenditure				(61)
	<b>Financing and Investment (Income)/Expenditure</b>				
93	Interest payable and similar charges				82
2,164	Pension interest costs & expected return on assets				2,978
(412)	Interest receivable and similar income				(266)
	(Surplus) or deficit on trading undertakings not included in Net				
(4,746)	Cost of Services	9			(5,131)
(6,086)	Changes in the fair value of Investment Properties				(3,912)
100	Other Investment (Income) / Expenditure				0
	<b>Taxation and Non-Specific Grant Income</b>				
(8,288)	Council Tax Income				(7,350)
(5,316)	Non-domestic Rates Redistribution				(1,725)
(1,496)	Non-ringfenced Government Grants	8			(8,246)
(2,175)	Capital Grants and Contributions	8			(3,610)
<b>(4,609)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	7			<b>(4,430)</b>
(320)	(Surplus) / Deficit on revaluation of long-term assets				(1,160)
8,019	Actuarial (gains) or losses on pension assets and liabilities	31			(7,616)
<b>7,699</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(8,776)</b>
<b>3,090</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(13,206)</b>

# BALANCE SHEET

31 March 2013		Note	31 March 2014	
£000	£000		£000	£000
40,236		17	40,663	
5,966		17	8,496	
2,130		17	1,998	
2,045		18	2,045	
113,309		19	105,703	
900		19	900	
1,190		22	1,575	
<b>165,776</b>	<b>Long Term Assets</b>		<b>161,380</b>	
0	Assets Held for Sale	23	9,107	
36	Inventories	24	15	
8,511	Short Term Debtors	25	21,501	
28,111	Short Term Investments	35	33,496	
381	Cash and Cash Equivalents	26	911	
<b>37,039</b>	<b>Current Assets</b>		<b>65,030</b>	
(6,364)	Short Term Creditors	28	(17,705)	
(479)	Short Term Borrowing	26	(1,111)	
<b>(6,843)</b>	<b>Current Liabilities</b>		<b>(18,816)</b>	
(5,138)	Government Grants & Other Contributions in Advance	29	(2,840)	
(166)	Deferred Liabilities	29	(70)	
0	Loans	29	(6,000)	
(430)	Provisions	30	(139)	
(66,347)	Liability related to Defined Benefit Pension Scheme	31	(61,447)	
<b>(72,081)</b>	<b>Long Term Liabilities</b>		<b>(70,496)</b>	
<b>123,891</b>	<b>Net Assets</b>		<b>137,098</b>	
12,616	Capital Receipts Reserve	33b	13,701	
13,362	Earmarked Reserves	33c	20,625	
1,350	General Fund Balance	33d	1,350	
<b>27,328</b>	<b>Usable Reserves</b>		<b>35,676</b>	
(89)	Accumulated Absences Reserve	34b	(104)	
151,477	Capital Adjustment Account	34c	145,675	
31	Collection Fund Adjustment Account	34d	(4,371)	
(294)	Deferred Capital Payments	34e	(84)	
1,265	Deferred Capital Receipts	34f	10,300	
(75)	Financial Instruments Adjustment Account	34g	(75)	
(66,347)	Pensions Reserve	31	(61,447)	
10,595	Revaluation Reserve	34i	11,528	
<b>96,563</b>	<b>Unusable Reserves</b>		<b>101,422</b>	
<b>123,891</b>	<b>Total Reserves</b>		<b>137,098</b>	

Signed .....

**Joanne Wagstaffe CPFA**  
Director of Finance

Date: 30 June 2014

Signed .....

**Ian Brown**  
Chairman of Audit Committee

Date: XX September 2014

## CASH FLOW STATEMENT

2012/13				2013/14	
£000	£000		Note	£000	£000
4,609		<b>Net (surplus) or deficit on the provision of services</b>		4,430	
(2,570)		Adjustments to net surplus or deficit on the provision of services for non cash movements	27	2,815	
(320)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	27	(184)	
	1,719				7,061
(93)		Interest element of finance lease payments		(82)	
412		Interest received		266	
	319				184
	2,038	<b>Net cash flows from Operating Activities</b>			7,245
		<b>Investing and Financing Activities</b>			
(2,577)		Purchase of Long Term Assets	20	(8,887)	
(2,008)		Other payments for investing activities	20	(3,665)	
1,798		Grants and Contributions Applied to Capital Expenditure	20	3,610	
(167,934)		Purchase of short term and long term investments		(282,325)	
168,935		Proceeds from the sale of investments		276,940	
1,384		Proceeds from the sale of Long Term Assets		3,374	
(956)		Movement in Grants and Contributions Unapplied		(2,394)	
0		Long Term Loans		6,000	
	(1,358)				(7,347)
	680	<b>Net increase/(decrease) in cash and cash equivalents</b>			(102)
	(778)	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			(98)
	(98)	<b>Cash and Cash equivalents at the end of the reporting period</b>	26		(200)

# 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 2013/14 financial year and its position at the year end of 31 March 2014. 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 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14 (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.

### 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)



## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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.

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### 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 2013/14 (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. 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 line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 previously 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. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 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.

### 1.24 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 2013/14 Code. The 2013/14 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 2013/14 Code. The 2013/14 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 2013/14 Code. The 2013/14 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.

### **1.25 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.

### **1.26 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 and except pursuant to a dissolution, no capital can be withdrawn by a member unless agreed by all members.

### **1.27 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.

### **1.28 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.

## 2 Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS27 Separate Financial Statements (as amended in 2011)
- IAS28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financials Instruments: Presentation

Appendix C of the 2014/15 Code will provide details of the disclosures required.

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

## 4 Prior Period Adjustments

There were no prior period adjustments in 2013/14.

## 5 Events After the Reporting Period

The pre Audit Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2014. 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 2014, the figures in the financial statement and notes have been adjusted in all material respects to reflect the impact of this information.

## 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 2014 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2013/14, The Council's actuaries advised that the net pensions liability had declined by £4,900k as a result of estimates and assumptions being updated.
Arrears	At 31 March 2014, the Council had a short term sundry debtor balance of £9,410k. A review of significant balances suggested a provision of £7,938k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 25.	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.

### 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 2013/14 (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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Finance Digest - Actuals

2012/13 Finance Digest £000		2013/14 Finance Digest £000
	<b>Service Area</b>	
0	Corporate Services	0
6,752	Community Services	9,710
5,926	Environmental Services	3,751
3,324	Planning	3,707
1,360	Corporate Management	1,025
(1,091)	Legal and Property Services	1,788
4,107	Shared Services	0
(3,529)	Strategic Finance, Capital, IAS19 and Other Adjustments	(7,963)
<b>16,849</b>	<b>Net General Fund</b>	<b>12,018</b>
	<b>Funding</b>	
(8,258)	Council Tax	(7,350)
(103)	Revenue Support Grant	(2,862)
(5,316)	NNDR	(6,127)
(3,598)	Central Government and Other Funding	(4,592)
<b>(17,275)</b>	<b>Total Funding</b>	<b>(20,931)</b>
(426)	Net General Fund less total funding	(8,913)
426	Transfers To / (From) Reserves	8,913
<b>0</b>	<b>Change To General Fund Balance</b>	<b>0</b>

## 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).



# NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13			Subjective Analysis	2013/14		
Finance Digest £000	Not Inc. In FD £000	CI&E £000		Finance Digest £000	Not Inc. In FD £000	CI&E £000
(15,928)	0	(15,928)	Fees, Charges and Other Service Income	(15,547)	0	(15,547)
(411)	(1)	(412)	Interest and Investment Income	(266)	0	(266)
(8,258)	0	(8,258)	Income From Council Tax	(7,350)	0	(7,350)
(50,303)	(1,998)	(52,301)	Government Grants and Contributions	(60,070)	0	(60,070)
(788)	788	0	Transfer from reserves	(1,293)	1,293	0
<b>(75,688)</b>	<b>(1,211)</b>	<b>(76,899)</b>	<b>Total Income</b>	<b>(84,526)</b>	<b>1,293</b>	<b>(83,233)</b>
19,426	(25)	19,401	Employee Expenses	12,828	0	12,828
0	(1,332)	(1,332)	IAS19 Adjustments	858	0	858
55,443	0	55,443	Other Service Expenses	54,419	0	54,419
(552)	0	(552)	Support Service Recharges	(552)	0	(552)
0	2,242	2,242	Depreciation, Amortisation and Impairment	6,994	0	6,994
98	0	98	Interest Payments	58	0	58
265	(3,275)	(3,010)	Other Items in Budget Monitoring	4,198	0	4,198
391	(391)	0	Transfer to reserves	10,207	(10,207)	0
<b>75,071</b>	<b>(2,781)</b>	<b>72,290</b>	<b>Total Expenditure</b>	<b>89,010</b>	<b>(10,207)</b>	<b>78,803</b>
<b>(617)</b>	<b>(3,992)</b>	<b>(4,609)</b>	<b>(Surplus)/Deficit on Provision of Services / General Fund Movement</b>	<b>4,484</b>	<b>(8,914)</b>	<b>(4,430)</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 2013/14:

2012/13 £000		2013/14 £000
	<b>Credited To Taxation and Non-Specific Grant Income</b>	
0	Cassiobury Park HLF Grant	278
206	Council Tax Freeze Grant	287
0	Council Tax Support Grant	958
0	Council Tax Transition Grant	26
0	Colne River Project	54
100	High Street Innovation Fund	0
160	Housing Planning Delivery Grant	0
280	Leisure Grant	119
1,393	New Homes Bonus	2,069
5,316	NNDR Redistributed	0
14	Oxhey Park	178
191	Performance Reward Grant	0
103	Revenue Support Grant	2,862
1,224	Section 106 Contributions	2,608
0	TRDC Shared Services Transition - Capital	165
0	Small Business Rate Relief	251
0	Waste Collection Support Grant	2,001
8,987		11,856
	<b>Credited To Services</b>	
40	Arts Council - Lottery	40
42	Building Safer Communities	26
60	Capital Funding	0
15	CCTV	39
23	Cemeteries	23
680	Council Tax Benefit Administration Grant	633
279	Disabled Facility Grant	239
42,161	DWP Housing Benefit Grant	38,168
10	Elections	81
297	Housing - Homelessness	181
0	Individual Electoral Registration	15
67	Miscellaneous Highways	65
120	New Burdens	103
50	Other Grants	157
30	Parks Development	4
14	Performance and Engagement	5
76	Police & Crime Commissioner	29
17	Sports Development	4
55	Street Cleansing	24
40	Taxi Marshall Scheme	30
433	Waste Management	423
44,509		40,289
<b>53,496</b>	<b>Total</b>	<b>52,145</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:

2012/13 £000		2013/14 £000
262	Other Government Grants	609
4,876	Section 106	2,231
<b>5,138</b>	<b>Total</b>	<b>2,840</b>

### 9 Trading Operations

The Council has established trading units where the services provided are required to operate in a commercial environment. These operations include commercially let trading estate units, shop units and a non-livestock trading market.

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

2012/13 Income £000	2012/13 Expend- iture £000	2012/13 Net Income £000		2013/14 Income £000	2013/14 Expend- iture £000	2013/14 Net Income £000
6,935	(2,100)	4,835	Investment Property	6,485	(1,236)	5,249
377	(466)	(89)	Market	1	(119)	(118)
<b>7,312</b>	<b>(2,566)</b>	<b>4,746</b>	<b>Total</b>	<b>6,486</b>	<b>(1,355)</b>	<b>5,131</b>

### 10 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.

2012/13 £000		2013/14 £000
68	Fees payable to the audit commission with regard to external audit services carried out by the appointed auditor for the year, Grant Thornton	61
16	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	11
<b>84</b>	<b>Total</b>	<b>72</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 11 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 £434,511 (2012/13: £442,000).

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

## 12 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. The relevant details are as follows:

2012/13 No. of employees	Remuneration Band	2013/14 No. of employees
9	£50,000 - £54,999	8
2	£55,000 - £59,999	2
0	£60,000 - £64,999	1
5	£65,000 - £69,999	3
2	£70,000 - £74,999	1
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
1	£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
1	£215,000 - £219,999	0
<b>21</b>	<b>Total</b>	<b>16</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The following tables provide additional detail for senior officers remuneration where salary for the establishment post falls between £50,000 and £150,000.

<b>2012/13</b>	Salary Including Fees and Allowances	Compensation For Loss of Office	Total Remun'n excluding Pension Contrib'n	Pension Contribution	Total Remuneration
<b>Post</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Managing Director	135,105	0	135,105	36,208	<b>171,313</b>
Executive Director - Services	98,906	119,291	218,197	26,507	<b>244,704</b>
Head of Legal & Property Services	72,256	0	72,256	19,365	<b>91,621</b>
Head of Strategic Finance	82,256	20,899	103,155	0	<b>103,155</b>
Head of Environmental Services	66,851	0	66,851	17,916	<b>84,767</b>
Head of Human Resources	66,858	0	66,858	17,918	<b>84,776</b>
Head of Planning & Transportation	66,871	0	66,871	17,916	<b>84,787</b>
Head of Community Services	66,857	0	66,857	17,918	<b>84,775</b>
Head of Information, Communication & Technology	66,930	0	66,930	0	<b>66,930</b>
<b>Total</b>	<b>722,890</b>	<b>140,190</b>	<b>863,080</b>	<b>153,748</b>	<b>1,016,828</b>

<b>2013/14</b>	Salary Including Fees and Allowances	Compensation For Loss of Office	Total Remun'n excluding Pension Contrib'n	Pension Contribution	Total Remuneration
<b>Post</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Managing Director	135,780	0	135,780	21,589	<b>157,369</b>
Executive Director - Services (Post deleted in May 2013)	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 (Post deleted in July 2013)	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>

### 13 Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £100,972 (2012/13: £381,329). Of this total, £90,584 (2012/13: £262,593) was payable in the form of compensation for loss of office and £10,388 (2012/13: £118,736) in enhanced pension benefits as part of the Council's rationalisation of Services.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2012/13		Cost Band	2013/14	
Total number of exit packages	Total cost of exit packages		Total number of exit packages	Total cost of exit packages
8	35,783	£0 - £20,000	4	41,390
2	53,104	£20,001 - £40,000	0	0
1	58,608	£40,001 - £60,000	1	59,582
0	0	£60,001 - £80,000	0	0
1	82,374	£80,001 - £100,000	0	0
0	0	£100,001 - £150,000	0	0
1	151,460	£150,001 - £200,000	0	0
<b>13</b>	<b>381,329</b>	<b>Total</b>	<b>5</b>	<b>100,972</b>

### 14 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

The Council is one of five Districts (the others being Dacorum, Hertsmeire, St Albans, and Three Rivers) that oversee the operation of the West Hertfordshire Crematorium. Watford provides the Honorary Clerk to the Joint Committee (the Managing Director, Manny Lewis, undertakes this role). Councillor Ian Brown is the Council's Member representative on the Joint Committee. In 2013/14, as in 2012/13, no contribution towards the running of the Crematorium was required from the Council. The Crematorium's practice is to meet all running costs from its own income, and build up reserves to meet future capital improvement costs. Should a deficiency contribution from Watford Borough be necessary, the contribution would be calculated in proportion to its population. The net assets of the Joint Committee as at 31 March 2014 were £5.20m (31 March 2013: £5.26m). However, Watford's share of the net assets excludes property acquired or constructed for the purpose of Cremation which belong to and are vested in the Authority where the Crematorium is sited.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 in grant and £42,531 in rent support during 2013/14 (£174,192 and £47,891 for grant and rent respectively in 2012/13). 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 £257,730 in grant aid and £32,500 in rent support from the Council in 2013/14 (£257,728 and £32,500 respectively in 2012/13).

Following the transfer of the housing stock, Councillor Kareen Hastrick 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.

Mayor Dorothy Thornhill is the Council's representative on the National LGA, on the LGA Environment Board, 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 Mark Watkin is on the Board of the Watford Multi-Cultural Community Centre as a Council representative. The Head of Community Services has a relative who is a senior officer for Hightown Praetorian Housing Association which is one of Watford Borough Council's Housing and Regeneration Initiative (HARI) partners.

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 Jo 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 31 to the Core Financial Statements.

## **15 Partnership Working**

Since April 2009, Watford Borough Council and Three Rivers District Council have been participating in Joint Services, provided by the Joint Shared Services Committee. During 2013/14 the services that have been provided jointly are Human Resources, Finance, Revenue and Benefits, and the ICT function. These services are jointly provided with an aim to making efficiencies for both Authorities. From April 2014, the Governance arrangements for shared services has changed. A new agreement between Watford Borough Council and Three Rivers District Council has introduced a lead authority model.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The net expenditure of the shared services is apportioned between the Councils based on the Shared Service Agreement. The table below shows the total expenditure and income of the Joint Committee of which Watford Borough Council's share is £4.471million (2012/13: £4.113million).

2012/13				2013/14		
Gross Expend-iture £000	Gross Income £000	Net Cost £000		Gross Expend-iture £000	Gross Income £000	Net Cost £000
1,436	0	1,436	Local Tax Collection	1,628	(1)	1,627
1,724	0	1,724	Housing Benefits	1,883	0	1,883
3,583	(7)	3,576	Central Support Services	3,930	(6)	3,924
<b>6,743</b>	<b>(7)</b>	<b>6,736</b>	<b>Net Cost of Services / Operating Expenditure</b>	<b>7,441</b>	<b>(7)</b>	<b>7,434</b>
		(2,623)	Income from Three Rivers District Council			(2,963)
		(4,113)	Income from Watford Borough Council			(4,471)
		<b>0</b>	<b>(Surplus) / Deficit for the year</b>			<b>0</b>

### 16 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, and which bring benefits to the Council for more than one year.

During 2013/14 no capital expenditure was recorded in this category.

### 17 Property, Plant and Equipment

#### a) Information on Assets Held

The Property of the Council comprises:

31 Mar 13 No. / area		31 Mar 14 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
2	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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

### b) Movement of Property, Plant and Equipment

2012/13	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2012	43,252	12,848	2,613	58,713
Additions - Capital Programme	789	1,765	23	2,577
Additions - Finance Leases	0	52	0	52
Revaluation increases / (decreases) recognised in the Revaluation Reserve	205	0	0	205
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(780)	0	0	(780)
Derecognition - Disposals	0	0	0	0
Derecognition - Other	0	(650)	0	(650)
Assets reclassified (to) / from Held for Sale	0	0	0	0
Other movements in cost or valuation	0	82	0	82
<b>At 31 March 2013</b>	<b>43,466</b>	<b>14,097</b>	<b>2,636</b>	<b>60,199</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
At 1 April 2012	(2,412)	(7,465)	(375)	(10,252)
Depreciation Charge	(855)	(1,234)	(131)	(2,220)
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the surplus / deficit on the provision of services	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	37	0	0	37
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0
Derecognition - Disposals	0	0	0	0
Derecognition - Other	0	650	0	650
Other movements in depreciation and impairment	0	(82)	0	(82)
<b>At 31 March 2013</b>	<b>(3,230)</b>	<b>(8,131)</b>	<b>(506)</b>	<b>(11,867)</b>
<b>Balance Sheet Value at 31 March 2013</b>	<b>40,236</b>	<b>5,966</b>	<b>2,130</b>	<b>48,332</b>
<b>Balance Sheet Value at 1 April 2012</b>	<b>40,840</b>	<b>5,383</b>	<b>2,238</b>	<b>48,461</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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>

## 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	17,485	2,636	20,121
Valued at current value as at:				
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
31/03/2010	2,146	0	0	2,146
<b>Total Cost or Valuation</b>	<b>44,786</b>	<b>17,485</b>	<b>2,636</b>	<b>64,907</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

## 18 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

<b>2012/13</b>	<b>Musical Instrument £000</b>	<b>Statues, Sculptures &amp; War Memorials £000</b>	<b>Works of Art £000</b>	<b>Civic Regalia £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 April 2012	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 2013</b>	<b>400</b>	<b>745</b>	<b>700</b>	<b>200</b>	<b>2,045</b>

<b>2013/14</b>	<b>Musical Instrument £000</b>	<b>Statues, Sculptures &amp; War Memorials £000</b>	<b>Works of Art £000</b>	<b>Civic Regalia £000</b>	<b>Total £000</b>
<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>

## 19 Investment Properties and Surplus Assets

### a) Information on Assets Held

The Investment Properties and Surplus Assets of the Council comprise:

<b>31 Mar 13 No. / area</b>		<b>31 Mar 14 No. / area</b>
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 Harlequin Shopping Centre	7% of net profit
1	Cardiff Road Industrial Estate	0
1	Surplus Assets	1
2	Assets Held for Sale	3

# NOTES TO THE CORE FINANCIAL STATEMENTS

## b) Movement of Investment Properties and Surplus Assets

<b>2012/13</b>	<b>Investment Properties £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 April 2012	106,529	1,160	107,689
Additions	421	0	421
Revaluation increases / (decreases) recognised in the Surplus /			
Deficit on the provisions of services	6,359	(260)	6,099
Derecognition - Disposals	0	0	0
Derecognition - Other	0	0	0
Assets reclassified (to) / from Held for Sale	0	0	0
Other movements in cost or valuation	0	0	0
<b>At 31 March 2013</b>	<b>113,309</b>	<b>900</b>	<b>114,209</b>
<b>Balance Sheet Value at 31 March 2013</b>	<b>113,309</b>	<b>900</b>	<b>114,209</b>
<b>Balance Sheet Value at 1 April 2012</b>	<b>106,529</b>	<b>1,160</b>	<b>107,689</b>

<b>2013/14</b>	<b>Investment Properties £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
<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 Assets 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>

During the year, the major revaluation increases included Charter Place (+£0.5m), Century Retail Park (+£1.62m), Waterfields Retail Park (+£1.50m) and Chess Site-9-17 Caxton Way (+£0.41m). There were also several revaluation decreases, including 2 Butterwick (-£0.23m).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

2012/13 £000		2013/14 £000
7,312	Rental income from Investment Property	6,486
(2,566)	Direct operating expenses arising from Investment properties	(1,355)
<b>4,746</b>	<b>Net income</b>	<b>5,131</b>

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.

### d) Revaluations

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.

	Investment Properties £000	Surplus Assets £000	Total £000
<b>Valued at current value as at:</b>			
31/03/2014	49,035	0	49,035
31/03/2013	29,613	900	30,513
31/03/2012	11,568	0	11,568
31/03/2011	9,571	0	9,571
31/03/2010	5,916	0	5,916
<b>Total Cost or Valuation</b>	<b>105,703</b>	<b>900</b>	<b>106,603</b>

## 20 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 £000		2013/14 £000
2,974	<b>Opening Capital Financing Requirement</b>	2,514
	<b>Capital Investment</b>	
2,577	Property, Plant and Equipment	8,887
421	Investment Properties	504
1,587	Revenue Expenditure Funded from Capital Under Statute	3,161
4,585		12,552
	<b>Sources of Finance</b>	
(2,787)	Capital receipts	(7,291)
(632)	Government Grants and Other Contributions	(973)
(1,166)	S106 Contributions	(2,637)
0	Capital Fund Reserve	(171)
0	Development Sites Decontamination Reserve	(35)
0	Weekly Collection Support Grant Reserve	(1,445)
(4,585)		(12,552)
	<b>Minimum Revenue Provision and Voluntary Contributions</b>	
(63)	Minimum Revenue Provision from Capital Adjustment Account	(8)
(397)	Voluntary Contributions to Reduce the Capital Financing Requirements	0
(460)		(8)
0	Transfer from Deferred Capital Payments relating to Finance Leases	96
<b>2,514</b>	<b>Closing Capital Financing Requirement</b>	<b>2,602</b>

## b) Commitments Under Capital Contracts

At 31 March 2014 the Council had contractual commitments totalling £1.998 million (31 March 2013: £1.124 million) relating to the following capital schemes for which the Council has in place the necessary funding. The major commitments are:

Commit- ments 31 Mar 13 £000		Period over which expenditure will take place	Commit- ments 31 Mar 14 £000
298	Playing Fields and open spaces (Land & Buildings)	2014-15	192
300	Repairs to Council Buildings (Land & Buildings)	2014-15	303
217	Watford Cultural Quarter (Land & Buildings)	2014-15	1,363
186	Other Capital Projects (Investment Properties)	2014-15	103
123	Cardiff Road Health Campus (Investment Properties)	2014-15	37
<b>1,124</b>	<b>Total</b>		<b>1,998</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 21 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 2013/14 was £90,115 (2012/13: £106,149) and are as follows:

2012/13 £000		2013/14 £000
30	Operational Land and Buildings	30
76	Vehicles, Plant and Equipment	60
<b>106</b>	<b>Total</b>	<b>90</b>

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

2012/13				2013/14		
Land & Buildings	Vehicles, Plant & Equipment	Total		Land & Buildings	Vehicles, Plant & Equipment	Total
£000	£000	£000		£000	£000	£000
0	35	35	Not later than one year	0	37	37
30	39	69	Later than one year and not later than five years	30	14	44
0	0	0	Later than five years	0	0	0
30	74	104	Total Liability	30	51	81

#### ii) Finance Leases

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

2012/13 Total £000		2013/14		
		Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
787	Book value at 1 April	362	279	641
50	Additions	0	0	0
0	Disposals	0	0	0
(95)	Depreciation	(3)	(152)	(155)
(98)	Impairment	0	0	0
<b>644</b>	<b>Book value at 31 March</b>	<b>359</b>	<b>127</b>	<b>486</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 13 £000		31 Mar 14 £000
	Finance lease liabilities (net present value of minimum lease payments):	
181	Annual Payments	70
39	Finance costs payable in future years	14
<b>220</b>	<b>Minimum lease payments</b>	<b>84</b>

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

31 Mar 13 £000		31 Mar 14 £000
	<b>Vehicles, Plant and Equipment</b>	
32	Not later than one year	14
188	Later than one year and not later than five years	70
<b>220</b>	<b>Total</b>	<b>84</b>

The aggregate finance charges made under these finance leases during the year amounted to £29,391 (2012/13: £32,890). This amount has been charged to the Income & Expenditure Account as interest payable and similar charges.

### 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 £104.356 million (31 March 2013: £111.731 million). The total rental received under these lease agreements and credited to services was £6.566 million (2012/13: £7.312 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 13 £000		31 Mar 14 £000
135	Finance Lease Debtor - Long Term	133
<b>135</b>	<b>Gross Investment in the Lease</b>	<b>133</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22 Debtors - Long Term

Long-term debtors are debtors which fall due after a period of at least one year and are analysed as follows:

31 Mar 13 £000		Net Movement in year £000	31 Mar 14 £000
11	Loan to YMCA	0	11
1,044	Rent to Mortgage	(77)	967
135	Finance Leases as Lessor	(2)	133
0	Charges Registered to Properties	7	7
0	Watford Health Campus	457	457
1,190		385	1,575
0	less: provision for bad debts / impairment	0	0
<b>1,190</b>	<b>Total</b>	<b>385</b>	<b>1,575</b>

### 23 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.

2012/13 Total £000		2013/14 Total £000
	<b>Cost or valuation</b>	
885	At 1 April	0
0	Assets reclassified from Operational Land and Buildings	35
0	Assets reclassified from Investment Properties	9,072
(885)	Disposals	0
<b>0</b>	<b>At 31 March</b>	<b>9,107</b>

### 24 Inventories

The following inventories were held as at 31st March 2014:

31 Mar 13 £000		31 Mar 14 £000
20	Watford Museum (Saleable Items)	5
11	Printing Section (Paper, inks, etc.)	10
5	Fuel Stock	0
<b>36</b>	<b>Total</b>	<b>15</b>

There was no work-in-progress as at 31st March 2014.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 25 Debtors - Short Term

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

31 Mar 13 £000		31 Mar 14 £000
3,396	Central Government Bodies	14,297
3,010	Local Authorities	5,436
1	Public Corporations	0
5,933	Other Entities and Individuals	9,410
250	Payments in Advance	296
12,590		29,439
(4,079)	Less: Provision for Bad Debts / Impairment	(7,938)
<b>8,511</b>	<b>Total</b>	<b>21,501</b>

## 26 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 13 £000		31 Mar 14 £000
	<b>Current Assets</b>	
4	Cash held by the Authority	3
377	Bank Current Accounts	908
0	Short-term Deposits with Building Societies	0
381		911
	<b>Current Liabilities</b>	
(479)	Bank overdrafts	(1,111)
<b>(98)</b>	<b>Total</b>	<b>(200)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements and investing and financing activities:

2012/13			2013/14	
£000	£000		£000	£000
		<b>Adjustments for non-cash transactions</b>		
4,183		Adjustments involving the Capital Adjustment Account and Revaluation Reserve	(1,842)	
0		Adjustments involving NNDR Collection Fund Reserve	4,402	
(246)		Adjustments involving Finance Leases	(161)	
29		Adjustments involving the Collection Fund Adjustment Account	(4,402)	
22		Adjustments involving the Accumulated Absences Reserve	(15)	
(829)		Net charges made for retirement benefits in accordance with IAS19	(2,716)	
	<b>3,159</b>			<b>(4,734)</b>
		<b>Items on an accruals basis</b>		
8		Increase / (Decrease) in Inventories	(21)	
979		Increase / (Decrease) in Debtors and Payments in Advance	12,990	
(1,146)		(Increase) / Decrease in Creditors and Receipts in Advance	(11,341)	
(430)		Movement in Provisions	291	
	<b>(589)</b>			<b>1,919</b>
		<b>Investing and Financing Activities</b>		
(93)		Interest payable and similar charges	(82)	
412		Interest receivable	266	
1		Adjustments to the Financial Instruments Reserve	0	
	<b>320</b>			<b>184</b>
	<b>2,890</b>	<b>Total</b>		<b>(2,631)</b>

## 28 Creditors - Short Term

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

31 Mar 13 £000		31 Mar 14 £000
617	Central Government Bodies	8,785
1,739	Local Authorities	3,985
15	Public Corporations	0
3,740	Other Entities and Individuals	4,102
253	Receipts in Advance	833
<b>6,364</b>	<b>Total</b>	<b>17,705</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 29 Creditors - Long Term

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

31 Mar 13 £000		31 Mar 14 £000
166	Deferred Liabilities (obligations under finance leases)	70
262	Government Grants Unapplied	52
4,876	Section 106 Contributions Unapplied	2,788
0	Loans (Local Authority)	6,000
<b>5,304</b>	<b>Total</b>	<b>8,910</b>

## 30 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 13 £000		31 Mar 14 £000
100	Property Searches	91
100	Municipal Mutual Insurance	48
230	Commercial Rents	0
<b>430</b>	<b>Total</b>	<b>139</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 as 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 2014 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 2014, 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.

### Commercial Rents

The Council paid the claim in 2013/14.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 31 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:

2012/13 £000		2013/14 £000
	<b>Comprehensive Income and Expenditure Statement (CI&amp;E)</b>	
	<i>Cost of Services:</i>	
	<i>Service cost comprising:</i>	
2,158	current service cost	1,973
16	past service cost	219
0	gain from settlements	0
	<i>Financing and Investment Income and Expenditure</i>	
2,747	Net Interest Expense	2,978
<b>4,921</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,170</b>
	<b>Other Post Employment Benefit Charged to the CI&amp;E</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(8,325)	Return on plan assets	(2,640)
0	Actuarial gains and losses arising on changes in demographic assumptions	(4,954)
16,059	Actuarial gains and losses arising on changes in financial assumptions	705
(298)	Other experience	(727)
<b>12,357</b>	<b>Total Post Employment Benefit Charged to the CI&amp;E</b>	<b>(2,446)</b>
	<b>Movement in Reserves Statement</b>	
(12,357)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	2,446
3,509	Employers' contributions payable to the scheme	2,454
<b>3,509</b>	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>2,454</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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:

2012/13 £000		Net Movement in year £000	2013/14 £000
(161,713)	Present value of the defined benefit obligation	423	(161,290)
95,366	Fair value of plan assets	4,477	99,843
<b>(66,347)</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>4,900</b>	<b>(61,447)</b>

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

Restated 2012/13 £000		2013/14 £000
84,113	Opening fair value of scheme assets at 1 April	95,366
3,993	Interest income	4,235
8,325	Return on plan assets	2,640
3,509	Contributions from employer	2,454
687	Contributions from employees into the scheme	582
(5,261)	Benefits paid	(5,434)
<b>95,366</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>99,843</b>

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

2012/13 £000		2013/14 £000
141,612	Opening Balance at 1 April	161,713
2,158	Current service costs	1,973
6,740	Interest cost	7,213
687	Contributions by scheme participants	582
0	Actuarial gains and losses arising from changes in demographic assumptions	(4,954)
16,059	Actuarial gains and losses arising from changes in financial assumptions	705
(298)	Other experience	(727)
16	Past service costs	219
0	Curtailments	0
(5,261)	Benefits paid	(5,434)
<b>161,713</b>	<b>Closing Balance at 31 March</b>	<b>161,290</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Local Government Pension Scheme assets comprised

2012/13 £000		2013/14 £000
3,550	Cash and cash equivalents	3,249
	<i>Equity instruments:</i>	
9,548	Consumer	10,054
10,720	Manufacturing	11,504
4,596	Energy and Utilities	4,435
9,767	Financial Institutions	10,844
2,187	Health and Care	1,533
6,513	Information Technology	7,022
964	Other	1,139
47,843	Sub-total equity	49,779
	<i>Bonds:</i>	
7,570	Corporate Bonds (investment grade)	8,276
7,637	UK Government	6,151
2,587	Other	2,113
17,795	Sub-total bonds	16,540
	<i>Property:</i>	
4,213	UK Property	3,866
871	Overseas Property	2,193
5,084	Sub-total property	6,059
	<i>Private Equity:</i>	
4,014	All	4,048
4,014	Sub-total private equity	4,048
	<i>Other Investment Funds:</i>	
14,701	Equities	15,192
1,906	Bonds	2,434
357	Commodities	424
3,617	Other	5,281
20,580	Sub-total other investment funds	23,332
	<i>Derivatives:</i>	
47	Foreign exchange	87
47	Sub-total derivatives	87
<b>95,363</b>	<b>Total Assets</b>	<b>99,843</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 2013.

The significant assumptions used by the actuary have been:



## NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 13		31 Mar 14
	<b>Total Returns from 1 April 2013 to 31 March 2014</b>	7.80%
	<b>Mortality Assumptions</b>	
	Longevity at 65 for current pensioners	
21.0	• Men	22.3
23.8	• Women	24.5
	Longevity at 65 for future pensioners	
22.9	• Men	24.3
25.7	• Women	26.7
5.1%	Rate of increase in salaries	3.9%
2.8%	Rate of increase in pensions	2.6%
4.5%	Rate for discounting scheme liabilities	4.1%

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

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

	2013/14 £000
Longevity (increase in 1 year)	4,839
Rate of increase in salaries (increase by 0.5%)	3,091
Rate of increase in pensions (increase by 0.5%)	10,757
Rate for discounting scheme liabilities (decrease by 0.5%)	13,938
	<b>32,625</b>

## 32 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, £0.541 million was received during 2013/14 (2012/13: £0.515 million) leaving a contingent asset of approximately £3.768 million (2012/13: £4.309 million) which will be received in the future.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Contingent Asset - Mediation involving Sport & Leisure Management (SLM)

The Council have been in dispute with the outsourced operator (Sports & Leisure Management Limited) of its leisure venues since 2009 regarding the annual management fee payable to the Council. The dispute centres on the calculation of the annual fee. After a mediation hearing between the two parties in August 2013, a methodology was agreed which is to be applied from 2009/10 and for the remaining life of the contract, which is scheduled to end in 2018/19.

Applying the methodology for the years 2009/10 to 2013/14 means a difference between the Council's budget position and the calculated payment of £800k, assuming SLM has no further disputed issues.

## 33 Usable Reserves

### a) Movement in Usable Reserves

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

Balance at 31 Mar 13 £000	Reserve	Net Movement in year £000	Balance at 31 Mar 14 £000	Further Detail Note
12,616	Capital Receipts Reserve	1,085	13,701	33b
13,362	Earmarked Reserves	7,263	20,625	33c
1,350	General Fund Balance	0	1,350	33d
<b>27,328</b>	<b>Total Net Worth</b>	<b>8,348</b>	<b>35,676</b>	

### 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.

2012/13 £000		2013/14 £000
12,872	Balance brought forward at 1 April	12,616
	Received in year	
1,430	Proceeds from sale of long-term assets	4,004
581	Shares in preserved Right to Buy (Unattached Capital Receipt)	3,831
515	VAT Shelter compensation (Unattached Capital Receipt)	541
5	Loan repayments (Unattached Capital Receipt)	0
2,531		8,376
	Applied in year	
(2,787)	Transferred to Capital Adjustment Account to finance new capital expenditure	(7,291)
<b>12,616</b>	<b>Balance carried forward at 31 March</b>	<b>13,701</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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.

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 13 £000		Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 14 £000
85	Area Based Grant Reserve	0	0	85
234	Budget Carry Forward Reserve	340	(235)	339
1,813	Capital Fund Reserve	0	(171)	1,642
597	Car Parking Zones Reserve	33	0	630
380	Charter Place Tenants Reserve	0	(220)	160
37	Climate Change Reserve	20	0	57
1,310	Development Sites Decontamination Reserve	0	(35)	1,275
1,823	Economic Impact Reserve	104	0	1,927
100	High Street Innovation	0	(10)	90
113	Homelessness Prevention Reserve	0	0	113
996	Housing Benefit Subsidy Reserve	0	0	996
301	Housing Planning Delivery Grant Reserve	0	(35)	266
1,255	Invest to Save Reserve	0	(416)	839
613	LA Business Growth Incentive Reserve (LABGI)	0	(43)	570
12	Le Marie Centre Repairs Reserve	0	0	12
423	Leisure Structured Maintenance Reserve	0	0	423
233	Local Development Framework Reserve	0	0	233
181	Multi-Storey Car Park Repair Reserve	0	0	181
542	New Homes Bonus Reserve	2,069	0	2,611
0	NNDR Collection Fund Reserve	4,661	0	4,661
0	Parks, Waste & Street Strategy Reserve	60	0	60
1,375	Pension Funding Reserve	874	0	2,249
191	Performance Reward Grant Reserve (Capital)	0	0	191
60	Performance Reward Grant Reserve (Revenue)	0	(28)	32
13	Recycling Reserve	0	(13)	0
100	Rent Deposit Guarantee Scheme Reserve	0	0	100
575	Vehicle Replacement Reserve	150	0	725
0	Weekly Collection Support Grant Reserve	2,001	(1,843)	158
<b>13,362</b>	<b>Total</b>	<b>10,312</b>	<b>(3,049)</b>	<b>20,625</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.
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.
Recycling Reserve	This reserve will help to 'smooth out' fluctuations in recycling income in future years.
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:

2012/13 £000		2013/14 £000
1,350	Balance brought forward at 1 April	1,350
56	Net increase/(decrease) before transfers to earmarked reserves	8,914
(56)	Transfer (to)/from earmarked reserves	(8,914)
<b>1,350</b>	<b>Balance carried forward at 31 March</b>	<b>1,350</b>

## 34 Unusable Reserves

### a) Movement in Unusable Reserves

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

Balance at 31 Mar 13 £000	Reserve	Net Movement in year £000	Balance at 31 Mar 14 £000	Further Detail Note
(89)	Accumulated Absences Reserve	(15)	(104)	34b
151,477	Capital Adjustment Account	(5,802)	145,675	34c
31	Collection Fund Account	(4,402)	(4,371)	34d
(294)	Deferred Capital Payments	210	(84)	34e
1,265	Deferred Capital Receipts	9,035	10,300	34f
(75)	Financial Instruments Account	0	(75)	34g
(66,347)	Pensions Reserve	4,900	(61,447)	31
10,595	Revaluation Reserve	933	11,528	34i
<b>96,563</b>	<b>Total Net Worth</b>	<b>4,859</b>	<b>101,422</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.

2012/13 £000		2013/14 £000
(111)	Balance brought forward at 1 April	(89)
22	Employee costs accrued	(15)
<b>(89)</b>	<b>Balance carried forward at 31 March</b>	<b>(104)</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.

2012/13 £000		2013/14 £000
144,644	Balance brought forward at 1 April	151,477
	Reversal of items relating to capital debited or credited to the CIES	
(2,220)	Charges for depreciation and impairment of long-term assets	(2,569)
223	Charges for depreciation against Revaluation Reserve	220
5,322	Revaluation gains / (losses) on Long-term Assets	(352)
52	Finance Lease Vehicle Additions	0
(1,587)	Revenue Expenditure Funded from Capital under Statute	(3,161)
0	Disposals of Property, Plant and Equipment	(3,297)
1,790		(9,159)
	Capital financing applied in the year:	
2,787	Capital receipts	7,291
632	Government Grants and Other Contributions	973
1,166	S106 Contributions	2,637
0	Capital Fund Reserve	171
0	Development Sites Decontamination Reserve	35
0	Weekly Collection Support Grant Reserve	1,445
4,585		12,552
	Other Movements:	
61	Minimum Revenue Provision relating to finance lease payments	8
160	Voluntary Contributions to Reduce the Capital Finance Requirement	0
237	Transfer from Deferred Capital Receipts to Reduce the CFR	0
0	Transfer to Deferred Capital Receipts relating to Assets Held For Sale	(9,107)
0	Transfer from Deferred Capital Payments relating to Finance Leases	(96)
151,477	<b>Balance carried forward at 31 March</b>	<b>145,675</b>

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

2012/13 £000		2013/14 £000
2	Balance brought forward at 1 April	31
29	Amount by which council tax income credited to CI&E is different from the council tax income calculated for the year in accordance with statutory requirements	(4,402)
<b>31</b>	<b>Balance carried forward at 31 March</b>	<b>(4,371)</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.

2012/13 £000		2013/14 £000
(450)	Balance brought forward at 1 April	(294)
156	Revenue Contribution to Capital	114
0	Transfer to the Capital Adjustment Account relating to finance leases	96
<b>(294)</b>	<b>Balance carried forward at 31 March</b>	<b>(84)</b>

### 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 (2012/13 £1.044 million).

## NOTES TO THE CORE FINANCIAL STATEMENTS

2012/13 £000		2013/14 £000
2,367	Balance Brought Forward at 1 April	1,265
(237)	Adjustment for Finance lease payments	(2)
(885)	Disposal of Assets Held for Sale (Current Assets)	0
0	Transfer from the Capital Adjustment Account relating to Assets Held For Sale	9,107
20	Disposal of Rent to Mortgage Properties	(77)
0	Charges Registered to Properties (Other CIES)	7
<b>1,265</b>	<b>Balance carried forward at 31 March</b>	<b>10,300</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.

2012/13 £000		2013/14 £000
(76)	Balance brought forward at 1 April	(75)
1	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 31.

### 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

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.

2012/13 £000		2013/14 £000
10,576	Balance brought forward at 1 April	10,595
242	Gains / (Losses) on revaluation of long-term assets (Other CIES)	1,153
(223)	Historical Cost depreciation adjustment	(220)
0	Heritage Asset Revaluations	0
<b>10,595</b>	<b>Balance carried forward at 31 March</b>	<b>11,528</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Financial Instruments - Balances

The Balance Sheet includes the following financial instruments:

31 Mar 13 £000		31 Mar 14 £000
	<b>Other Financial Liabilities</b>	
(166)	Deferred Liabilities	(70)
(6,111)	Short Term Creditors	(16,872)
(479)	Short Term Borrowing	(1,111)
	<b>Loans and Receivables</b>	
1,190	Long Term Debtors	1,575
8,261	Short Term Debtors	21,205
28,111	Short Term Investments	33,496
381	Cash and Cash Equivalents	911
<b>31,187</b>	<b>Total</b>	<b>39,134</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 LABVI, £6.0m from the Growing Places Fund. At 31 March 2014, the Council had £6.0m external debt.

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 (2012/13: £717) 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 Audit Committee on 13th March 2013 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2013/14 was set at £10 million (2012/13: £10 million). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £3 million (2012/13: £7 million). This is the expected level of debt and other long term liabilities during the year

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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. Details of the Investment Strategy for 2013/14, which was approved by the Audit Committee on 13th March 2013 can be found on the Council's website.

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 2014 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.

The Council does not generally allow credit for its trade debtors, such that £0.297 million (2012/13: £0.412 million) of the £9.410 million (2012/13: £5.933 million) balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 13 £000		31 Mar 14 £000
113	Less than 3 months	43
110	More than 3 months, less than 1 year	84
189	More than 1 year	170
<b>412</b>	<b>Total</b>	<b>297</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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2014 is as follows:-

31 Mar 13 £000		31 Mar 14 £000
28,111	Less than 1 year	33,496
<b>28,111</b>	<b>Total</b>	<b>33,496</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.

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

2012/13 £000		2013/14 £000
286	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	308

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).

2012/13			Note	2013/14	
£000	£000			£000	£000
		<b>Income</b>			
45,144		Council Tax Payers	CF1	46,910	
6,132		Transfers from the General Fund - Council Tax Benefit	CF1	0	
63,648		Business Rate Payers	CF2	66,093	
		Business Rate Transitional Protection		(3,455)	
		Contributions towards previous year's deficit			
0		Council Tax		0	
0		Business Rates		0	
	<b>114,924</b>	<b>Total Income</b>			<b>109,548</b>
		<b>Expenditure</b>			
		Council Tax			
50,128		Precepts and Demands	CF3	44,613	
		Bad and Doubtful Debts			
19		Write-offs		47	
950		Increase in Provision		682	
		Business Rates	CF4		
0		Shares to Preceptors and the Council		33,386	
0		Central Government Share		33,386	
63,481		Payments to National Pool	CF2	0	
		Bad and Doubtful Debts and Appeals			
0		Write-offs		1,139	
0		Increase in Provision		6,173	
167		Cost of Collection		206	
		Contributions towards previous year's surplus			
0		Council Tax		0	
0		Business Rates		0	
	<b>114,745</b>	<b>Total Expenditure</b>			<b>119,632</b>
	<b>(179)</b>	<b>(Increase) / Decrease in Collection Fund Balance</b>	CF5		<b>10,084</b>
	(10)	Fund Balance - (Surplus) / Deficit at 1 April			(189)
	<b>(189)</b>	<b>Fund Balance - (Surplus) / Deficit at 31 March</b>	CF5		<b>9,895</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 2013/14.

2012/13		2013/14				
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
0.00	A (Disabled Relief)	0.00	0.50	0.50	5/9	0.28
153.80	A	275.00	(108.90)	166.10	6/9	110.73
2,481.30	B	3,867.00	(1,573.19)	2,293.81	7/9	1,784.07
10,588.90	C	13,679.00	(3,440.73)	10,238.27	8/9	9,100.68
10,969.80	D	12,156.00	(2,340.48)	9,815.52	9/9	9,815.52
3,923.00	E	3,509.00	(447.48)	3,061.52	11/9	3,741.86
2,813.40	F	2,128.00	(186.62)	1,941.38	13/9	2,804.22
2,842.10	G	1,826.00	(124.44)	1,701.56	15/9	2,835.93
131.00	H	79.00	(11.50)	67.50	18/9	135.00
<b>33,903.30</b>		<b>37,519.00</b>	<b>(8,232.84)</b>	<b>29,286.16</b>		<b>30,328.30</b>
(847.60)	Less: Allowance for losses on collection					(909.85)
33,054.70	Tax Base for Calculation of Council Tax					29,418.45
758.00	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					1,514.61
<b>33,812.70</b>	<b>Council Tax Base for the Year</b>					<b>30,933.06</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 2012/13, no change).

Until 31 March 2013, specific reductions in charges - council tax benefits - were made in accordance with government regulations for persons on lower incomes. This reduced the gross amount of council tax due from council tax payers (derived from multiplying the council tax base for the year by the average Band D charge). From 1 April 2013, these reductions became part of the council tax base calculation above, reducing the council tax base.

## NOTES TO THE COLLECTION FUND

2012/13 £000		2013/14 £000
51,276	Gross Council Tax Charge	46,910
(6,132)	Less: Council Tax Benefits	0
<b>45,144</b>	<b>Income from Council Tax Payers</b>	<b>46,910</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:

2012/13		2013/14
£161,536,315	Total Non-domestic Rateable Value at 31 March	£157,928,359
45.8	National Non-domestic Rate Multiplier - Standard	47.1
45.0	National Non-domestic Rate Multiplier - Small	46.2

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:

2012/13 £000	Council Tax	2013/14 £000
36,983	Precepts:	32,914
4,887	Hertfordshire County Council	4,349
	Hertfordshire Police	
8,258	Demand:	7,350
	Watford Borough Council	
<b>50,128</b>	<b>Total</b>	<b>44,613</b>

## CF4 Shares - Business Rates

2012/13 £000	Business Rates	2013/14 £000
N/A	Hertfordshire County Council	6,677
N/A	Watford Borough Council	26,709
63,481	Central Government	33,386
<b>63,481</b>	<b>Total</b>	<b>66,772</b>

## CF5 Distribution of Balances

Based on the precepts and demands made in 2013/14, 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:

2012/13 Total £000	Council Tax	Herts County Council £000	Herts Police £000	Watford Borough Council £000	2013/14 Total £000
5,124	Gross Arrears	4,261	563	951	5,775
(708)	Less: Prepayments	(634)	(84)	(141)	(859)
4,416	Net Arrears	3,627	479	810	4,916
3,538	Provision for Doubtful Debts	3,114	411	695	4,220
(189)	Collection Fund Balance	(1,297)	(171)	(290)	(1,758)



## NOTES TO THE COLLECTION FUND

Central Government 2012/13 £000	Business Rates	Herts County Council £000	Watford Borough Council £000	Central Government £000	2013/14 Total £000
4,511	Gross Arrears	490	1,962	2,452	4,904
(2,094)	Less: Prepayments	(227)	(906)	(1,132)	(2,265)
2,417	Net Arrears	263	1,056	1,320	2,639
1,910	Provision for Doubtful Debts	204	818	1,022	2,044
0	Provision for Appeals	604	2,416	3,020	6,040
0	Collection Fund Balance	1,165	4,661	5,827	11,653

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.



# PRE AUDIT

## GROUP ACCOUNTS

### 2013/2014

# 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 2012</b>	<b>1,350</b>	<b>13,306</b>	<b>12,872</b>	<b>0</b>	<b>27,528</b>	<b>99,453</b>	<b>126,981</b>
<b>Movement in Reserves during 2012/13</b>							
(Surplus) or deficit on provision of services	4,609	0	0	0	<b>4,609</b>	0	<b>4,609</b>
Other Comprehensive Expenditure and Income	(7,699)	0	0	0	<b>(7,699)</b>	0	<b>(7,699)</b>
<b>Total Comprehensive Expenditure and Income (CI&amp;E)</b>	<b>(3,090)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,090)</b>	<b>0</b>	<b>(3,090)</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	2,220	0	0	0	<b>2,220</b>	(2,220)	<b>0</b>
Revaluation gains / (losses) on long-term assets	(5,317)	0	0	0	<b>(5,317)</b>	5,317	<b>0</b>
Finance Lease Vehicle Additions	(52)	0	0	0	<b>(52)</b>	52	<b>0</b>
(Gains) / Losses on disposal of long-term assets	(445)	0	0	0	<b>(445)</b>	445	<b>0</b>
(Surplus) / Deficit on revaluation of long-term assets	(320)	0	0	0	<b>(320)</b>	320	<b>0</b>
Capital grants & contributions applied	(1,798)	0	0	0	<b>(1,798)</b>	1,798	<b>0</b>
Revenue expenditure funded from capital under statute	1,587	0	0	0	<b>1,587</b>	(1,587)	<b>0</b>
Minimum Revenue Provision	(218)	0	0	0	<b>(218)</b>	218	<b>0</b>
Voluntary Contributions to Reduce the Capital Finance Requirement	(160)	0	0	0	<b>(160)</b>	160	<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	(2,787)	0	<b>(2,787)</b>	2,787	<b>0</b>
Proceeds from sale of long-term assets	0	0	1,384	0	<b>1,384</b>	(1,384)	<b>0</b>
Unattached capital receipts	(1,147)	0	1,147	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	(29)	0	0	0	<b>(29)</b>	29	<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	(22)	0	0	0	<b>(22)</b>	22	<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	(3,509)	0	0	0	<b>(3,509)</b>	3,509	<b>0</b>
Actuarial (gains) / losses on pension fund assets / liabilities	8,019	0	0	0	<b>8,019</b>	(8,019)	<b>0</b>
Reversal of items relating to retirement benefits debited or credited to the CI&E	4,338	0	0	0	<b>4,338</b>	(4,338)	<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	(1)	0	0	0	<b>(1)</b>	1	<b>0</b>
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>56</b>	<b>0</b>	<b>(256)</b>	<b>0</b>	<b>(200)</b>	<b>(2,890)</b>	<b>(3,090)</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	67	(67)	0	0	0	0	0
Capital Fund Reserve	83	(83)	0	0	0	0	0
Car Parking Zones Reserve	(22)	22	0	0	0	0	0
Charter Place Tenants Reserve	96	(96)	0	0	0	0	0
Climate Change Reserve	12	(12)	0	0	0	0	0
High Street Innovation	(100)	100	0	0	0	0	0
Economic Impact Reserve	(286)	286	0	0	0	0	0
Insurance Fund Reserve	100	(100)	0	0	0	0	0
Invest to Save Reserve	165	(165)	0	0	0	0	0
LA Business Growth Incentive Reserve	28	(28)	0	0	0	0	0
Local Development Framework Reserve	80	(80)	0	0	0	0	0
Multi-Storey Car Park Repair Reserve	2	(2)	0	0	0	0	0
Performance Reward Grant Reserve (capital)	(191)	191	0	0	0	0	0
Performance Reward Grant Reserve (revenue)	60	(60)	0	0	0	0	0
Vehicle Replacement Reserve	(150)	150	0	0	0	0	0
<b>Transfers to/from earmarked reserves</b>	<b>(56)</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase / Decrease in 2012/13</b>	<b>0</b>	<b>56</b>	<b>(256)</b>	<b>0</b>	<b>(200)</b>	<b>(2,890)</b>	<b>(3,090)</b>
<b>Balance as at 31 March 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>

# 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 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	4,388	0	4,388
Other Comprehensive Expenditure and Income (OCIE)	8,776	0	0	0	8,776	0	8,776
<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	2,569	(2,569)	0
Revaluation (gains) / losses on long-term assets	352	0	0	0	352	(352)	0
(Gains) / Losses on disposal of long-term assets	(630)	0	0	0	(630)	630	0
(Surplus) / Deficit on revaluation of long-term assets (OCIE)	(1,160)	0	0	0	(1,160)	1,160	0
Capital grants & contributions applied	(3,610)	0	0	0	(3,610)	3,610	0
Revenue expenditure funded from capital under statute	3,161	0	0	0	3,161	(3,161)	0
Minimum Revenue Provision	(236)	0	0	0	(236)	236	0
Revenue Contribution to Capital	114	0	0	0	114	(114)	0
Adjustment for Finance lease payments	2	0	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)	0	(7,291)	7,291	0
Proceeds from sale of long-term assets	0	0	4,004	0	4,004	(4,004)	0
Unattached capital receipts	(4,372)	0	4,372	0	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	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	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	0	(2,454)	2,454	0
Actuarial (gains) / losses on pension fund assets / liabilities (OCIE)	(7,616)	0	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	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	0
<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)	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>(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					
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 2013/14</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>35,634</b>	<b>101,422</b>	<b>137,056</b>

0

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# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 NET EXPEND- ITURE £000	GROUP CIES STATEMENT	Note	2013/14		
			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
	Central Services to the Public:				
1,105	Local Taxation Collection		1,100	(317)	783
718	Other Central Services		992	(431)	561
	Cultural and Related Services:				
4,043	Leisure Services		4,957	(249)	4,708
1,104	Other Services		870	(143)	727
	Environmental and Regulatory Services:				
347	Cemeteries and Crematoria		538	(245)	293
2,616	Environmental Health		2,710	(445)	2,265
3,469	Waste Collection and Disposal		5,296	(941)	4,355
3,487	Planning and Economic Development		10,258	(1,377)	8,881
0	Highways and Transport Services		2,543	(2,655)	(112)
2,715	Other Housing Services		42,487	(40,053)	2,434
3,403	Corporate and Democratic Core		2,850	(35)	2,815
0	Central Support Services		162	(162)	0
138	Non-distributed Costs		104	0	104
<b>23,145</b>	<b>Net Cost of Services</b>		<b>74,867</b>	<b>(47,053)</b>	<b>27,814</b>
	<b>Other Operating (Income) and Expenditure</b>				
(445)	(Gains) / Losses on disposal of long-term assets				(631)
(1,147)	Unattached capital receipts				(4,372)
0	Other Operating (Income) and Expenditure				(61)
	<b>Financing and Investment (Income)/Expenditure</b>				
93	Interest payable and similar charges				82
2,164	Pension interest costs & expected return on assets				2,978
(412)	Interest receivable and similar income				(266)
	(Surplus) or deficit on trading undertakings not included in Net				0
(4,746)	Cost of Services				(5,131)
(6,086)	Changes in the fair value of Investment Properties				(3,912)
100	Other Investment (Income) / Expenditure				0
	<b>Taxation and Non-Specific Grant Income</b>				
(8,288)	Council Tax Income				(7,350)
(5,316)	Non-domestic Rates Redistribution				(1,725)
(1,496)	Non-ringfenced Government Grants				(8,246)
(2,175)	Capital Grants and Contributions				(3,610)
<b>(4,609)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(4,430)</b>
0	Share of (Surplus) / Deficit on Provision of Services by Joint Venture	2			42
<b>(4,609)</b>	<b>Group (Surplus) / Deficit</b>				<b>(4,388)</b>
(320)	(Surplus) / Deficit on revaluation of long-term assets				(1,160)
8,019	Actuarial (gains) or losses on pension assets and liabilities				(7,616)
<b>7,699</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(8,776)</b>
<b>3,090</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(13,164)</b>

# GROUP BALANCE SHEET

31 March 2013				31 March 2014
£000	£000	GROUP BALANCE SHEET AS AT	Note	£000
40,236		Land and Buildings		41,155
5,966		Vehicles, Plant and Equipment		8,496
2,130		Infrastructure Assets		1,998
2,045		Heritage Assets		2,045
113,309		Investment Properties		105,703
900		Surplus Assets		900
1,190		Long Term Debtors		1,118
	<b>165,776</b>	<b>Long Term Assets</b>		<b>161,415</b>
0		Assets Held for Sale		9,107
36		Inventories		15
8,511		Short Term Debtors		21,518
28,111		Short Term Investments		33,496
381		Cash and Cash Equivalents		1,419
	<b>37,039</b>	<b>Current Assets</b>		<b>65,555</b>
(6,364)		Short Term Creditors		(18,457)
(479)		Short Term Borrowing		(1,111)
	<b>(6,843)</b>	<b>Current Liabilities</b>		<b>(19,568)</b>
(5,138)		Government Grants & Other Contributions in Advance		(2,690)
(166)		Deferred Liabilities		(70)
0		Loans		(6,000)
(430)		Provisions		(139)
(66,347)		Liability related to Defined Benefit Pension Scheme		(61,447)
	<b>(72,081)</b>	<b>Long Term Liabilities</b>		<b>(70,346)</b>
	<b>123,891</b>	<b>Net Assets</b>		<b>137,056</b>
12,616		Capital Receipts Reserve		13,701
13,362		Earmarked Reserves		20,625
1,350		General Fund Balance		1,350
0		Share of Joint Venture Reserve		(42)
	<b>27,328</b>	<b>Usable Reserves</b>		<b>35,634</b>
(89)		Accumulated Absences Reserve		(104)
151,477		Capital Adjustment Account		145,675
31		Collection Fund Adjustment Account		(4,371)
(294)		Deferred Capital Payments		(84)
1,265		Deferred Capital Receipts		10,300
(75)		Financial Instruments Adjustment Account		(75)
(66,347)		Pensions Reserve		(61,447)
10,595		Revaluation Reserve		11,528
	<b>96,563</b>	<b>Unusable Reserves</b>		<b>101,422</b>
	<b>123,891</b>	<b>Total Reserves</b>		<b>137,056</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 2014**

Signed .....

**Ian Brown**  
**Chairman of Audit Committee**

**Date: xx September 2014**



# GROUP CASH FLOW STATEMENT

2012/13		GROUP CASH FLOW STATEMENT	Note	2013/14	
£000	£000			£000	£000
4,609		<b>Net (surplus) or deficit on the provision of services</b>		4,631	
(2,570)		Adjustments to net surplus or deficit on the provision of services for non cash movements		2,815	
(320)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities		(184)	
	1,719				7,262
(93)		Interest element of finance lease payments		(82)	
412		Interest received		266	
	319				184
	2,038	<b>Net cash flows from Operating Activities</b>			7,446
		<b>Investing and Financing Activities</b>			
(2,577)		Purchase of Long Term Assets		(8,887)	
(2,008)		Other payments for investing activities		(3,365)	
1,798		Grants and Contributions Applied to Capital Expenditure		3,610	
(167,934)		Purchase of short term and long term investments		(282,325)	
168,935		Proceeds from the sale of investments		276,947	
1,384		Proceeds from the sale of Long Term Assets		3,374	
(956)		Movement in Grants and Contributions Unapplied		(2,094)	
0		Long Term Loans		5,700	
	(1,358)				(7,040)
	680	<b>Net increase/(decrease) in cash and cash equivalents</b>			406
	(778)	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			(98)
	(98)	<b>Cash and Cash equivalents at the end of the reporting period</b>	26		308

# 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 2013/14 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:

2012/13 £000		2013/14 £000
0	Administrative Expenses	(42)
0	<b>Loss for the period</b>	<b>(42)</b>
0	Assets Under Construction (Long Term Assets)	493
0	Debtors (Current Assets)	17
0	Cash (Current Assets)	508
0	Creditors (Current Liabilities)	(752)
0	Creditors (Long Term Liabilities)	(150)
0	<b>Net Assets</b>	<b>115</b>

## 3 Related Party Transactions

During the Period, the LLP entered into transactions with Kier Project Investments, Kier Project Development, Watford Borough Council and the West Hertfordshire Hospital Trust:

2012/13			2013/14	
Purchases £000	Amounts Outstand- ing at 31 March £000		Purchases £000	Amounts Outstand- ing at 31 March £000
0	0	Kier Project Investment Limited	32	0
0	0	Kier Property Development Limited	61	6
0	0	Watford Borough Council	3	300

## NOTES TO THE GROUP ACCOUNTS

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

Watford Borough Council and Kier Property Development Limited made capital contributions of £150,000 each during the period through Loan Notes A's. Interest of £14,000 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 partnership has received £2.0m as grant and is shown as a deduction from the gross value of asset concerned in arriving at its net book value. The partnership has spent £1.3m on road infrastructure during the period ended 31 March 2014 which was offset against the grant received from WHHT and the balance is accounted as a current liability.

The £0.3m interest free loan received from Watford Borough Council from Growing Places Funding during the period are categorised as a long term liability.

## 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

This Section will be included in the final version of the Accounts

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