



**WATFORD
BOROUGH
COUNCIL**

AUDIT COMMITTEE

Item 8

**External Auditors report to those charged with
Governance – ISA260 - (September 2016) and
Approval of the Statement of Accounts 2015/16**

Thursday, 29th September, 2016

7.00 pm

Town Hall, Watford

Publication date: 27 September 2016

Contact

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Sandra Hancock in Democracy and Governance on 01923 278377 or by email to legalanddemocratic@watford.gov.uk .

Welcome to this meeting. We hope you find these notes useful.

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Committee Membership

Councillor D Scudder (Chair)

Councillor T Williams (Vice-Chair)

Councillors S Cavinder, Asif Khan and B Mauthoor

Agenda

Part A - Open to the Public

- 8. External Auditors Report To Those Charged With Governance - ISA260 - (September 2016) and Approval Of The Statement of Accounts 2015/16 (Pages 101 - 232)**

Report of the Head of Finance (shared services) and the external auditor EY

This report allows the committee to ask questions of the external auditor concerning his 'Report to those charged with Governance (ISA260)' and to approve the Statement of Accounts for 2015/16.

Report to: Audit Committee

Date of meeting: 29 September 2016

Report of: Head of Finance Shared Services

Title: External Auditors Report To Those Charged With Governance – ISA260 - (September 2016) and Approval Of The Statement of Accounts 2015/16

1.0 SUMMARY

1.1 This report allows the Committee to ask questions of the external auditor concerning his 'Report to those charged with Governance (ISA260)' and to approve the Statement of Accounts for 2015/16.

2.0 RECOMMENDATIONS

2.1 That the Committee notes the external auditor's 'Report to those charged with Governance'.

2.2 That the Committee seeks any clarification it needs concerning the processes involved in the production of the annual Statement of Accounts for 2015/16.

2.3 That the Committee confirms that it is satisfied that the accounting policies adopted are the most appropriate.

2.4 That the Statement of Accounts for 2015/16 be approved.

Contact Officer:

For further information on this report please contact: -

Bob Watson, Head of Finance, Shared Services

telephone extension: 7198

email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe Director of Finance

3.0 **DETAILS**

- 3.1 The Audit Committee at its meeting on the 27 June received the draft Statement of Accounts for 2015/16. The Accounts have since been audited by EY (UK) LLP.
- 3.2 The Auditor's 'Report to those charged with Governance' is attached at Appendix 1. It is issued in accordance with ISA260 and incorporates a conclusion on final accounts work and a value for money judgement. EY will attend the meeting to present the report and answer questions.
- 3.3 Attached at Appendix 2 is a draft letter of representation which should be signed at the meeting by the Chair of the committee and the Director of Finance.
- 3.4 The Council's Statement of Accounts for 2015/16 is attached at Appendix 3.
- 3.5 The accounts must be signed by the Chief Financial Officer before they are approved by the Committee and, subject to approval, the Chairman of the Committee shall sign and date them at the meeting.
- 3.6 Under the Council's constitution the Audit Committee has the responsibility to consider and approve the Statement of Accounts.

4.0 **KEY ISSUES AND INTERPRETATION OF THE ACCOUNTING STATEMENTS**

- 4.1 The purpose of the Statement of Accounts is to give interested parties an understanding of the Council's financial position. It also provides an opportunity to compare how the Council performed financially against its original plan published when setting the budgets in February 2015. The Committee are referred to the narrative statement in the Statement of Accounts.
- 4.2 The Financial Statements have been prepared under International Financial Reporting Standards (IFRS), a statutory accounting framework which is used by public sector bodies within the United Kingdom. The Chartered Institute of Public Finance and Accountancy (CIPFA) produce a Code of Practice on Local Authority Accounting (the 'Code') which reflects the statutory requirements and has been followed in preparing the financial statements.
- 4.3 A draft Annual Governance Statement (AGS) was presented to the Committee and approved on 27 June 2016. It is now included in the Statement of Accounts before the Committee, and has been signed by the Mayor and the Managing Director as required by proper practice.
- 4.4 *Summary of Financial Position*
- 4.5 The Council's medium-term financial planning has aimed to achieve a balanced budget and a prudent level of balances. With the reductions in government grant and changes to business rates, this means that the Council will need to continue to find savings through

efficiencies and increased income; some of these may impact on service level provision. Tight fiscal controls will be required to ensure that the savings identified are achieved.

5.0 **IMPLICATIONS**

5.1 **Financial**

5.1.1 Contained in the Statement of Accounts

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 None Specific.

5.3 **Equalities**

5.3.1 None Specific.

5.4 **Potential Risks**

There are no risks associated with the decisions members are being asked to make.

APPENDICES

1. Report to those charged with Governance (ISA260) – EY (UK) LLP – September 2016.
2. Letter of Representation
3. Statement of Accounts 2015/16

BACKGROUND PAPERS

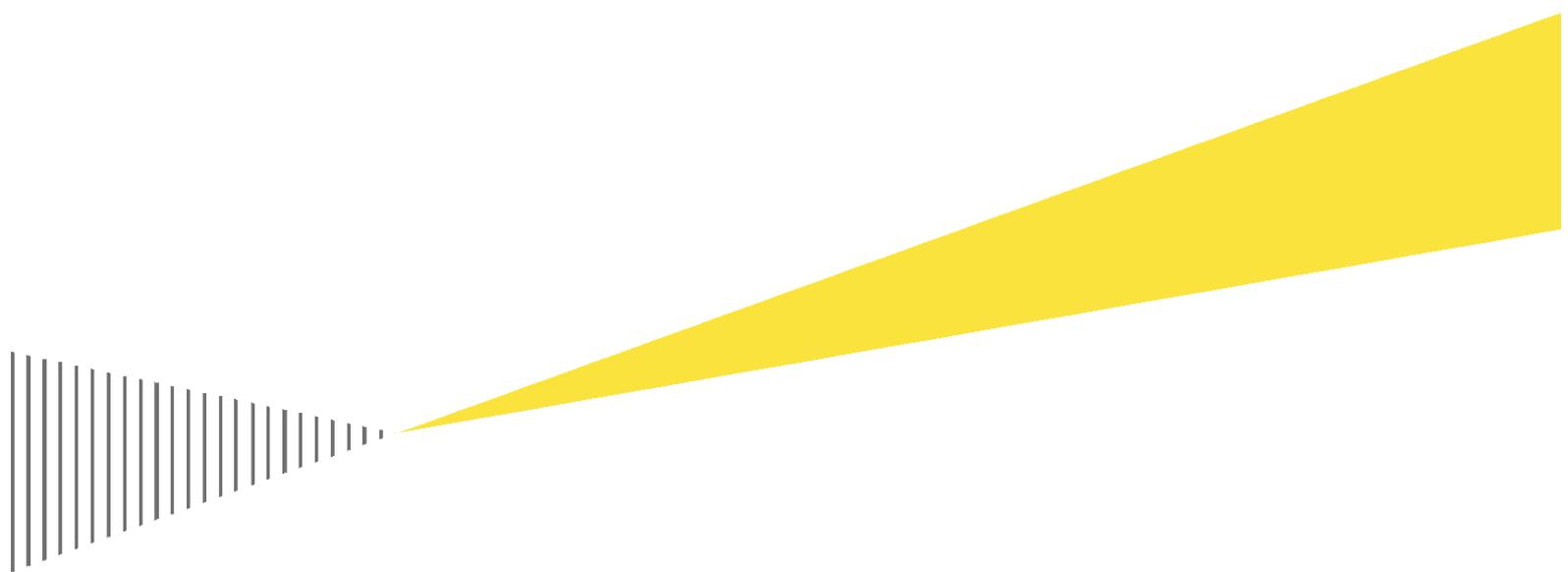
The Accounts and Audit (England) Regulations 2011

Watford Borough Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

SEPTEMBER 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Watford Borough Council for the year ended 31 March 2016. Subject to satisfactory completion of the outstanding items listed below we will issue an audit opinion in the form which appears in Appendix D:</p> <ul style="list-style-type: none"> • Housing Benefit ratio explanations • completion of subsequent events review • receipt of the signed management representation letter from the Director of Finance/Chair of the Audit Committee <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that the Council have put in place proper arrangements to secure value for money in its use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>Our audit identified a number of audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix A. These adjustments have not had an impact on useable reserves.</p> <p>We also identified a number of disclosure errors which have been amended by management.</p>
Scope and materiality	<p>In our audit plan presented at the 14 March 2016 Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1,535,000. The basis of our assessment was 2% of gross operating expenditure. We have reassessed this based on the actual results for the financial year and have increased this amount to £1,635,000 due to an increase in the authorities' gross operating expenditure as a result of an increase in housing benefit payments.</p> <p>The threshold for reporting audit differences which impact the financial statements has also increased from £77,000 to £81,000.</p>

We carried out our work in accordance with our Audit Plan with the following amendment reported to you in our Audit Progress report on 27th June 2016:

As part of our planning procedures, we assess the financial statement risks facing the Council. With the adoption of IFRS13 into the Code we have identified a risk of misstatement in property valuation, so we raised this as an additional significant risk.

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- Risk of management override.
- Risk of error in property valuation.

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues and others identified during the audit.

Other reporting matters

We have also highlighted to you our work on the Non-Domestic Rates (NDR) appeals provision.

Control observations

During the audit, we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. These are set out in the "Assessment of control environment" section of this report.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Andrew Brittain
Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Auditing standards (ISA 620) require us to gain particular assurances when an expert has been engaged by an audited body and where this influences material figures in the financial statements. The Authority engages a professional valuer to provide it with asset valuations. These assets represent a material figure in the Authority's Accounts.</p> <p>From 2015/16, the Code of Practice on Local Authority Accounting in the United Kingdom adopted IFRS 13 for assets and liabilities included in the financial statements that either permit or require measurement at fair value.</p> <p>The 2014/15 balance showed a balance of £120 million for Investment Property, and therefore this change in approach will impact on material disclosures in the financial statements.</p> <p>As this is an initial audit engagement for us, we will also review the classification of assets in the balance sheet to gain assurance that Investment Property and other fixed assets are appropriately classified and valued.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing management's assumptions and source data concerning asset classification ▶ Assessing the competency and objectivity of management's valuer ▶ Assessing whether the scope of work undertaken by the valuer is sufficient ▶ Reviewing how the Authority satisfies itself that the valuations given provide it with the level of information it needs to provide reliable data and appropriate disclosures for the statement of accounts ▶ Reviewing the asset valuations, their valuation basis, and the assumptions behind them ▶ Evaluating whether the substance of the expert's findings is appropriately reflected in the financial statements <p>Consideration of the accuracy and completeness of the source documents used by the valuer</p>	<p>We reviewed the information provided by the authority to the valuer and the valuations provided by the valuer to ensure that they have been correctly reflected in the financial statements, and that the valuations has been made on appropriate basis. We also reviewed the valuer's competency and objectivity. We audited the prior period adjustment identified by the Council that resulted in investment properties being reclassified as land and buildings as they were not held for investment purposes. There were no issues arising as a result of our work on property valuation.</p>
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions 	<p>We selected a number of journals to review based on our risk assessment. We have agreed these to other areas of our audit work or other supporting evidence. We have no concerns to raise.</p> <p>We have reviewed the most significant accounting estimates. We have not identified any evidence of management bias.</p> <p>We have not identified any unusual business transactions.</p>

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you as the oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We wish to highlight the following matter:

- Our audit of the Business Rates Appeals provision found that it was made up of three specific elements
 1. An analysis of known appeals on the Valuation Office Agency list completed by Analyse Local, industry experts. We performed procedures that enabled us to be able to rely on management's experts' estimation to provide us with assurance over this element of the provision.
 2. A provision for appeals that have not yet been lodged. This was included as the Council has past experience of the Valuation Office settling appeals that are not included on the list above. We reviewed the methodology for compiling this element, tested the source data used in constructing it and performed a series of reasonableness tests of the estimation to provide us with assurance over this element of the provision.
 3. A contingency. On enquiry with management we found that this element was included to be prudent in protecting the Council from any further exposures not covered by the two elements above. In our opinion the contingency has no specific basis which meets the requirement of the relevant accounting standard on provisions, IAS 37. Therefore we raised this as a judgemental audit difference which has been corrected by management (see Appendix A).

In line with best practice we recommend that the methodology for the calculation of this provision is reviewed each year to ensure the calculation basis is suitable, that it provides a reasonable basis for the provision and that all elements can be evidenced as reliable estimates in accordance with IAS37.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Description	Impact
Authorisation of journals – subsequent to authorisation of journals finance staff then amend the coding without further authorisation being obtained.	Allocation of expenditure on the wrong cost centre leading to misinformed decision making.
Recommendation – Ensure any coding amendments subsequent to authorisation are also authorised.	
Accounts receivable controls – monthly monitoring of debt levels by management is not evidenced	Debt levels can go unchallenged if the review is not happening, exposing the Council to bad debt risk. Note that the absence of evidence meant we were not able to rely on this control so had to undertake additional substantive testing of year-end debtors.
Recommendation – Ensure management review is properly evidenced by a signature and relevant comments.	
Housing Benefit overpayments – invoices raised to landlords are not followed up in a timely manner. (Invoices were passed to bailiff's as a result of audit queries)	Delays the receipt of income for the Council
Recommendation – Ensure all invoices issued are followed up in line with the Council's Recovery of Housing Benefit and Council Tax Benefit Overpayments procedures.	

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E. In addition to the standard representations, we have requested the following specific representations:

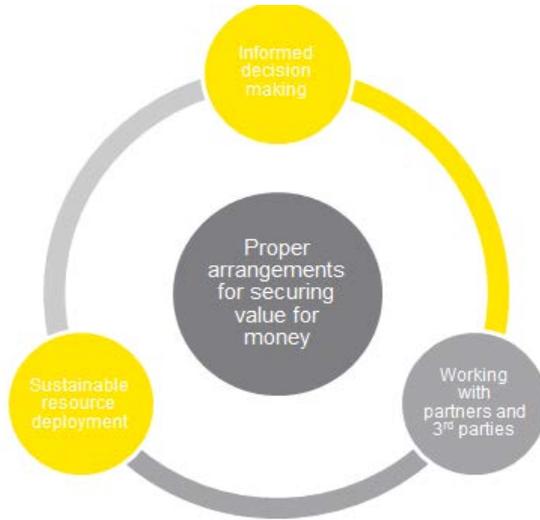
- Use of the work of a specialist
- Business rates appeals provision estimate

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We had no issues to report.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Corrected audit differences

The following corrected differences, which are greater than our reporting levels, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £'000	Comprehensive income and expenditure statement (Decrease) / Increase £'000
Watford Group accounts reclassification of assets		
Land & buildings	(3,817)	
Assets under construction	3,817	
Watford reclassification of investments		
Investment Watford Health Campus	(6,000)	
Long term debtors Watford Health Campus	6,000	
Cumulative effect of adjusted differences	0	0

Cash Flow statement

Item of cash flow	Operating cash flows (Decrease) / Increase £'000	Investing cash flows (Decrease) / Increase £'000	Financing cash flows (Decrease) / Increase £'000
Other receipts/payments from financing activities			(2,283)
Cash receipts of short term/ long term borrowing			2,283
Group cash flow statement - Reclassification of other receipts / payments from financing activities to cash receipts of short term / long term borrowing			
Cumulative effect of adjusted differences			0

Collection Fund, Balance sheet and Statement of comprehensive income and expenditure

The Collection Fund is a memorandum account which records all the transactions relating to council tax and business rates (NDR). In our judgement the provision relating to NDR appeals is overstated by a contingency element (as described on page 5 above) of £1,500k due to this not having a specific basis, as required by IAS 37.

The Council draws its share of provision from the Collection Fund. The impact of the audit difference on the Council is as follows:

Item of account	Balance sheet (Decrease) / Increase £'000	Comprehensive income and expenditure statement (Decrease) / Increase £'000
NDR appeals provision	600	
NDR Income & Expenditure		600
Cumulative effect of adjusted differences	600	600

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 14 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 29 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 14 March 2016.

Appendix C – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee - Code work	TBC	51,975	
Certification of claims and returns	8,316	8,316	

**Our certification of the Housing Benefit claim will be completed to the 30 November 2016 deadline, and the final fee concluded at that time.*

We have completed additional work in respect of;

- review and consultation on seven proposed prior period adjustments
- audit of two prior period adjustments (investment properties and cash flow statement)
- the additional significant risk on PPE valuation
- additional testing and reporting due to not being able to rely on the IT control environment
- additional accounts receivable testing due to not being able to rely on controls
- additional journal testing due to the issues highlighted above

We will discuss and agree an additional fee for the above with management, which will require approval from PSAA.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix D – Draft audit report

Independent auditor's report to the members of Watford Borough Council

Opinion on the Authority's financial statements

We have audited the financial statements of Watford Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Notes 1-36
- Collection Fund and the related notes 1 to 6

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Watford Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 2, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Watford Borough Council and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy,

efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Watford Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Watford Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Watford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Watford Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Andrew Brittain (senior statutory auditor)

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

Reading

29 September 2016

Appendix E – Management representation letter

29th September 2016

Ernst & Young
Apex Plaza,
Forbury Road,
Reading,
RG1 1YE

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Watford Borough Council (“the Group and Council”) for the year ended 31st March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Watford Borough Council as of 31st March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and for the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and for the Council, in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for the Group and the Council that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.

3. We have made available to you all minutes of the meetings of the Council, and committees (Council, Overview and Scrutiny Committee, Audit Committee, Cabinet, Budget Panel) held through the year to the most recent meeting on the following date: 29th September 2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 33 to the consolidated and council financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than described in Note 5 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of assets. We have adequately considered the qualifications of the specialists, the methodology applied and the appropriateness of the assumptions made in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists

I. Business Rates Appeals Provision Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate are complete and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
3. We confirm that no adjustments are required to the accounting estimate and disclosures in the consolidated and council financial statements due to subsequent events.

Yours faithfully,

(Director of Finance)

(Chairman of the Audit Committee)

Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Watford Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Audit Results Report
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report Annual Audit Letter
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Letter of representations: Audit of Group and Council financial statements

29th September 2016

Ernst & Young
Apex Plaza,
Forbury Road,
Reading,
RG1 1YE

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Watford Borough Council ("the Group and Council") for the year ended 31st March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Watford Borough Council as of 31st March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and for the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and for the Council, in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

Letter of representations: Audit of Group and Council financial statements

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for the Group and the Council that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and

Letter of representations: Audit of Group and Council financial statements

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.¹
- 2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
- 3. We have made available to you all minutes of the meetings of the Council, and committees (Council, Overview and Scrutiny Committee, Audit Committee, Cabinet, Budget Panel) held through the year to the most recent meeting on the following date: 29th September 2016.
- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 33 to the consolidated and council financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than described in Note 5 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

¹ ISA (UK and Ireland) 580.11(a), ISA (UK and Ireland) 210.6(b)(iii)

Letter of representations: Audit of Group and Council financial statements

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of assets. We have adequately considered the qualifications of the specialists, the methodology applied and the appropriateness of the assumptions made in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists

I. Business Rates Appeals Provision Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate are complete and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
3. We confirm that no adjustments are required to the accounting estimate and disclosures in the consolidated and council financial statements due to subsequent events.

Yours faithfully,

(Director of Finance)

(Chairman of the Audit Committee)



STATEMENT OF ACCOUNTS

2015/2016

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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 2015*. The Council must provide a Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Council and the Chief Financial Officer for the Accounts.

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The Director of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of Watford Borough Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Signed
Joanne Wagstaffe CPFA

Date: 29 September 2016

Signed
Derek Scudder
Chairman of Audit Committee

Date: 29 September 2016

NARRATIVE STATEMENT

1. Introduction

The purpose of this Narrative Statement 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 narrative statement contain four core financial statements:-

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

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

3. Changes to the Statement of Accounts

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

4. Contingent Assets and Liabilities

Note 33 to the Core Financial Statements gives details of contingent assets and liabilities. No exceptional or unusual items of income or expenditure have occurred. No material events affecting the accounts occurred after the year end up to 29th September 2016.

5. Revenue Activities

Revenue Out-turn 2015/16

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.

NARRATIVE STATEMENT

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 (2014/15: £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 major variances are:

- Increased costs associated with homelessness families £1.287m
- Two projects for Town Hall refurbishment £0.103m
- Increased commercial rents (£0.865m)
- Planning back scanning costs £0.152m
- Reduction in Planning application fees £0.132m
- Increase agency staff in Planning & Transportation Management £0.101m
- Increase in rent allowances and in year funding (£0.405m)

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

	2015/16	
	Original Net Budget £000	Net Outturn £000
Service Area		
Corporate Strategy and Client Services	8,548	9,199
Community and Customer Services	5,046	7,042
Democracy and Governance	2,674	2,039
Regeneration and Development	(2,901)	(883)
Managing Director	914	985
Human Resources	0	0
Strategic Finance	896	(1,219)
Net General Fund	15,177	17,164
Funding		
Council Tax	(7,696)	(7,696)
Revenue Support Grant	(1,724)	(2,166)
NNDR	(2,376)	(1,979)
Government Grants & Other Funding	(3,359)	(7,818)
Total Funding	(15,156)	(19,659)
Net General Fund less total funding	21	(2,495)
Transfers To / (From) Reserves	(21)	2,495
(Surplus) / Deficit for the year	0	0

NARRATIVE STATEMENT

Future Revenue Expenditure & its Funding

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

The Medium-Term Three-Year Financial Strategy is continually updated by regular budget monitoring. The plan assumes reductions in government grant over the next three years. Following a freeze in the average council tax charge for 2015/16, the Council is planning no Council Tax increases in the next three years. The levels of council tax and government grant are critical to the Council's future revenue streams.

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

6. Capital Activities

Capital Out-turn 2015/16

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2015/16 is shown below:-

	2015/16		
	Current Budget £000	Actual Out-turn £000	Variance (Under) / Overspend £000
Key Projects	3,937	1,253	(2,684)
Environmental Services	744	778	34
Community & Leisure Services	5,147	1,360	(3,787)
Housing Services	729	363	(366)
Parking Services	59	40	(19)
Asset Management	3,048	1,743	(1,305)
Information, Communication & Technology (ICT)	891	536	(355)
Information, Comm & Technology (Shared Services ICT&HR)	1,145	686	(459)
Section 106 Funded Schemes	517	438	(79)
Corporate / Service Project Management	552	552	0
Total	16,769	7,749	(9,020)

NARRATIVE STATEMENT

The Council planned to complete schemes valued at £16.769m in 2015/16. The Council completed and funded £7.749m worth of work, £4.022m of which was funded from capital receipts, £1.624m from government grants and third party contributions, £1.340m from the Local Enterprise Partnership loan and £0.763m 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 continuing development of Watford Business Park (£1.340m), major on-going schemes relating to Cassiobury Park and Health Campus (£0.508m and £0.467m respectively) as well as Leisure projects (£0.470m) such as Watford Hurling Club. Investment within Watford continues to be a key priority of the Council.

Future Capital Expenditure and its Funding

The Council's 2016/17 Original Budget was set at £13.280m of which £10.140m is to be funded from capital receipts, £3.020m from government grants and third party contributions and £0.120m from Earmarked Reserves.

Borrowing Facilities and Capital Borrowing

The Council has approved the ability to borrow up to £20m to facilitate the total regeneration of the Health Campus project including Watford Business Park, the repayment of such loans being made from developmental receipts. Other than these projects, all past capital expenditure and all future capital expenditure is intended to be funded from internal resources without recourse to borrowing. During 2015/16, the Council borrowed;

* £6m of Growing Places funding from the Local Enterprise Partnership (LEP) to fund investment in Watford Health Campus as well as

* £1.5m from LEP for the redevelopment of Watford Business Park.

Repayment dates are currently anticipated for March 2020.

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 2016 of £57.310m. This has decreased from £66.039m at 31 March 2015 and reflects actuarial changes. There are statutory arrangements for funding the deficit that protect the Council's financial position. Note 32 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 made a contribution of £2.100m in 2015/16 to reduce the deficit on the pension fund.

NARRATIVE STATEMENT

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 aims to achieve efficiency savings rather than cut levels of service.

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

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

In the meantime, reserves and balances are healthy. The General Fund balance and available usable earmarked reserves totalled £25.133m (2014/15: £22.485m). The Council also held £20.079m (2014/15: £12.376m) in capital grants & 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.

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Joanne Wagstaffe CPFA
Director of Finance
29th September 2016

ANNUAL GOVERNANCE STATEMENT

1.0 Scope of Responsibility

- 1.1 Watford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. A key aspect of this responsibility is the identification and management of risk.
- 1.2 Watford Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England) Regulations 2015.
- 1.3 Underpinning the Governance Statement is a framework which ensures corporate ownership at the very highest levels of management and is dynamic in responding to all governance issues as they occur. A key component of the Governance framework is the underlying system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

2.0 Strategic Aims and Objectives

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

VISION:

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

OUR OBJECTIVES:

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

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

3.0 Decision Making Structures

- 3.1 Watford Borough Council has a directly elected Mayor, which means that the community elect the person to lead the council at four yearly intervals. The Mayor is supported by a Cabinet that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet has a portfolio for which they are responsible and can make decisions within their area of responsibility.

ANNUAL GOVERNANCE STATEMENT

- 3.2 Watford Borough Council operates a Mayor and Cabinet model of governance under the Local Government Act 2000 this places total responsibility for those functions designated as Executive Functions into the hands of the directly elected Mayor. However full Council is responsible for setting the Council's budget and agreeing the key policy framework. The Council also has established an Overview and Scrutiny Committee, Budget Panel, Outsourced Services Scrutiny Panel and task groups to scrutinise the actions the Mayor and Cabinet and assist with policy development. In addition the Council has five further committees that cover non executive functions, these are Licensing, Development Management, Audit, Functions and Standards. It also has a number of advisory member groups such as Major Projects Board, Planning Advisory Group, Housing Advisory Group and the Market Working Group.
- 3.3 At an officer level, the senior management comprises the Managing Director and Heads of Service. Financial control will primarily be the responsibility of a shared Director of Finance with neighbouring Three Rivers District Council. This combined management comprises the Leadership Team who meet fortnightly to review and progress the key objectives of the council.
- 3.4 Overall financial control is monitored on a monthly basis by Leadership Team and the Budget Panel, and quarterly by Cabinet. Budget preparation is influenced by the Council's Medium Term Financial Strategy which forecasts budget pressures and available resources over a four year period. This MTFS is reported quarterly to Cabinet and Budget Panel where variations to the strategy are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts at the end of a financial year are subject to formal approval by the Audit Committee (but is also reported to Cabinet and Budget Panel).

4.0 The Governance Framework

- 4.1 The Council has a written constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens.
- 4.2 Council, Cabinet and committee / scrutiny meetings are open to the public and written reports are available to the public through the council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972.
- 4.3 The Council publishes its Corporate Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the Watford context based on information derived from sources such as Census 2011 and the Indices of Multiple Deprivation. Progress on the Plan is reported to the public through a quarterly magazine, About Watford, and includes an 'annual report' on the Council's achievements compared to its initial targets.

ANNUAL GOVERNANCE STATEMENT

- 4.4 Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
- 4.5 The scrutiny function within a local authority provides a necessary check upon the role of the Executive and is a key component of corporate governance. At Watford it is co-ordinated through the Overview and Scrutiny Committee, which can review Cabinet decisions and service performance, the Council has set up an Outsourced Services Scrutiny Panel as a standing scrutiny panel to scrutinise the activities of functions undertaken by external providers on the council's behalf. In addition the Standards Committee considers member conduct and the Budget Panel considers financial issues in a non political forum. Finally, the Audit Committee reviews the overall governance arrangements including the service related control and risk management environment. The Audit Committee also considers the response to Freedom of Information requests, the Ombudsman's annual report, risk management, Regulation of Investigatory Powers Act as well as annual accounts and treasury management (investment) policies.
- 4.6 The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
- 4.7 Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. These include:-
- * Members Code of Conduct
 - * Code of Conduct for staff
 - * Anti fraud and corruption policy (including whistle blowing and anti bribery)
 - * Money Laundering detection guidance
 - * Members and officer protocols
 - * Regular performance appraisals, linked to service and corporate objectives
 - * Service standards that define the behaviour of officers
 - * A Standards Committee which has a key role in promoting and maintaining high standards of conduct for members
 - * Officers are subject to the standards of any professional bodies to which they belong
- 4.8 The Head of Democracy and Governance is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.

ANNUAL GOVERNANCE STATEMENT

4.9 The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the council on financial planning.

4.10 The governance framework described below has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

5.0 Performance Management

5.1 Performance management follows very much a 'cascade' principle. The Council approves its Corporate Plan annually (although it covers a rolling four year perspective) and highlights key aspirations and targets including a series of objectives to be achieved in the year ahead. This Corporate Plan then cascades down to individual services delivery plans, which in turn translates into team and individual work plans. Performance is monitored regularly by Leadership Team and on a quarterly basis through Heads of Service, Cabinet Members, Overview and Scrutiny Committee and Outsourced Services Scrutiny Panel. Performance reviews also include consideration of complaints and progress against the Council's equalities agenda.

5.2 The Council keeps residents and stakeholders informed of its progress through a quarterly publication called '*About Watford*' which is delivered to every household and covers key issues, events and challenges. At the end of every financial year the Council also produce an Annual Report which informs the community of progress in the achievement of the Corporate Plan.

6.0 Data Quality and Risk Management

6.1 The need to develop policies and guidance on data quality and assurance is essential in order to promote consistency and awareness across the organisation. To that end, the Council has a senior member of staff who acts as the Senior Information Risk Officer. Guidance documents include a Data Quality Policy; an Information Security Policy; a Data Asset Register: and management training modules all of which are on the intranet.

6.2 The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually and approved by Leadership Team and the Audit Committee. This Strategy underpins the Strategic Risk Register which was updated and approved by the Audit Committee in March 2015 and covers major issues that will affect the achievement of the council's key objectives. This Risk Register is at a strategic/high level and is complemented by detailed project and service area registers. This Strategic Risk Register is reviewed by the Risk Management and Business Continuity Steering Group which meets bi-monthly and ensures a consistent approach to risk management across the Council.

6.3 Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.

ANNUAL GOVERNANCE STATEMENT

6.4 The risk management section within the Partnership Framework has been revised and all committee reports contain a 'risk implications' section as an aid to decision taking. There is however a need to ensure an effective risk identification process occurs where the Council has outsourced the provision of services to a private sector partner.

7.0 Shared Services with Three Rivers District Council

7.1 Watford Borough Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Three Rivers District Council. Both councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.

7.2 From April 2014, the Governance arrangements for shared services changed to a lead authority model. Watford Borough Council are responsible for providing the services of ICT and human resources whilst Three Rivers District Council are responsible for providing financial services and revenues & benefits. An executive board of senior management from both councils are responsible for these services. The role of the Board covers:-

- * Monitoring performance and dealing with complaints from either authority
- * Resolving conflicts between competing interests amongst the authorities
- * Reviewing the governance arrangements
- * Dealing with matters referred up to it by the Operations Board
- * Having overall supervision of the Shared Service
- * Receiving annual reports on each service within the shared service.

8.0 Community Engagement

8.1 Corporate governance includes informing our community of the plans and aspirations of the council and is primarily communicated through its published Corporate Plan and the regular editions of 'About Watford'. The directly elected Mayor, Baroness Dorothy Thornhill MBE, takes the lead in ensuring there is open and effective community leadership and provides a focal point for individuals, communities, business and voluntary organisations to engage with the Council. The Mayor is also the Chair of the borough's Local Strategic Partnership, One Watford, which continues to lead on the successful delivery of the overall vision and objectives for the town and on effectively integrating partnership working and delivery.

8.2 The Council has established twelve neighbourhood forums, which mirror the borough's ward boundaries and each have a devolved budget of £2,500. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.

8.3 The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information through the Council magazine 'About Watford'.

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8.4 A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey' with the borough's Citizens' Panel and wider community, which covers a range of areas relating to the Council's services and activities, including how it spends its money and prioritises areas for focus and improvement. The Citizens Panel is refreshed regularly to ensure it is representative of the Watford community. Local residents are also invited to attend the Mayor's regular information seminars, which help build understanding across a range of areas including Council finances and the implications for future service delivery. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community.

9.0 The Role of Audit and the Audit Committee

9.1 The governance framework and its compliance mechanisms must be distinguished from the role of audit which is to review the effectiveness of the compliance framework, not be a substitute for it.

9.2 The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee and to the Leadership Team.

9.3 External auditors, Ernst & Young, appointed by Public Sector Audit Appointments (PSAA), provide an external review function through the audit of the annual accounts, assessment of value for money and certification of grant claims. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.

9.4 The Audit Committee's terms of reference are consistent with best practice. The Committee approves the annual plan of internal audit, and receives the quarterly and annual reports of the Head of the Shared Internal Audit Service. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and reviews the operation of treasury management. It also received the annual letter from the Ombudsman and considers regular reports upon Freedom of Information requests, risk management and the Regulation of Investigatory Powers Act.

10.0 Review of Effectiveness

10.1 In accordance with CIPFA guidance, the review of the effectiveness of the governance framework will focus upon significant weaknesses and the 'big picture'. If issues have not been highlighted then that is because current governance arrangements have proved fit for purpose.

ANNUAL GOVERNANCE STATEMENT

- 10.2 The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Shared Internal Audit Services annual report and also by comments made by the external auditors and other review agencies and inspectorates. The Mayor and Portfolio Holders maintain a continuous review of the Council's policies, activities and performance of officers both through quarterly reviews and on a day to day basis.
- 10.3 The Annual Report of the Head of Assurance for the Shared Internal Audit Services has been reported to the Audit Committee at its meeting on 27 June 2016 and included the following statement . . . "In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based primarily on the work undertaken by the Council and reported in its Annual Governance Statement for 2015/16.

The SIAS Annual Report provides a substantial assurance opinion on the adequacy and effectiveness of financial systems and a moderate assurance opinion on the adequacy and effectiveness of non financial systems in the internal control environment for the year ended 31 March 2016. There are no qualifications to this assurance.

11.0 Effectiveness of Group Organisations

The Council owns a 50% stake in the Watford Health Campus Partnership Limited Liability Partnership (WHC) which was created on 18th June 2013.

It is recognised by the Council that it is essential for this partnership to operate effective governance procedures to ensure appropriate and cost effective service provision and protection of Council assets.

To meet this requirements, Council staff sit on the Governance Board and received audit reports assessing procedures. Within the period, audit conclusions satisfy the Council that the partnership operates effective governance procedures.

Further details are provided at: www.watfordhealthcampus.org

12.0 Significant Governance Issues

The 'normal' running of Council business has and can be controlled through the governance framework detailed at sections 4 to 9 of this report. Specific issues identified within the 2015/16 Governance Statement are shown below:-.

ANNUAL GOVERNANCE STATEMENT

No.	Issue	Action	Resol	Update
1	The Disaster Recovery Plan is not current. The Council should take priority to ensure the kit list is updated and fit for purpose	The Council will ensure that the kit lists are updated and fit for purpose in conjunction with Capita who are responsible for Third party contracts for DR. Disaster Recovery and business continuity plans will be reviewed annually to ensure suitability, adequacy and effectiveness	No	All asset lists, including desktops, servers and network equipment have been updated and are managed by the Service Desk Provider. Procedures documents are currently being reviewed and updated. Revised Deadline: 31st October 2016 From the 1 July 2016 the council has let a new contract for ICT support. All controls in place from the new provider will be reviewed by internal audit as part of future audits.
2	The lack of an effective testing strategy for Disaster Recovery may mean that gaps and defects in the plan may not be identified	Once the kit lists are updated, DR tests will take place on critical systems and their key dependencies	No	The testing will take place once the DR procurement has taken place, a requirement to undertake this is being built into the specification. Revised deadline: 31st December 2016 From the 1 July 2016 the council has let a new contract for ICT support. All controls in place from the new provider will be reviewed by internal audit as part of future audits.
3	There is insufficient evidence from Capita Secure Information Solutions Ltd (CSIS) to support the closure of actions to address performance issues	The CSIS account Director will agree a clear formal process for completion and closure of incidents within their team and gain formal approval of this process from the Council	Yes	The contract with CSIS Ltd was terminated on 30th June 2016 - this action is now superseded.
4	Key Performance Indicators (KPI's) and the inclusive Service Level Agreements are not being met, having been agreed by both parties and appropriate financial penalties Are not being enforced	Discussions between the Council and CSIS will take place once improvements have been observed with the delivery of ICT Shared Services. This should encompass the current KPI definitions and how they are measured with associated targets. This will include the amount of physical evidence deemed appropriate and sufficient to support closure of tickets	Yes	The contract with CSIS Ltd was terminated on 30th June 2016 - this action is now superseded.

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13.0 Statement from the Elected Mayor and the Managing Director

13.1 We propose over the coming year to keep a close focus upon the key governance issues. We will monitor the implementation of any audit recommendations that arise during the course of the year.

Signed

Mayor

Baroness Dorothy Thornhill

Date: 29 September 2016

Date: 29 September 2016

Signed

Managing Director

Manny Lewis

EXPLANATION OF CORE FINANCIAL STATEMENTS

Statement of Movement in Reserves (Pages 18 - 22)

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 (unusable 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 23)

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 24)

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 be used 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 (non useable reserves). 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 25)

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

Restated		General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2014	Note	(1,350)	(20,625)	(13,701)	0	(35,676)	(101,422)	(137,098)
Movement in Reserves during 2014/15								
(Surplus) or Deficit on provision of services	CIES	(16,966)	0	0	0	(16,966)	0	(16,966)
Other Comprehensive (Income) & Expenditure	CIES	(6,793)	0	0	0	(6,793)	0	(6,793)
Total Comprehensive Income & Expenditure		(23,759)	0	0	0	(23,759)	0	(23,759)
Adjustments between accounting basis & funding basis under regulations								
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:								
Charges for depreciation and impairment of non-current assets	18a	(3,249)	0	0	0	(3,249)	3,249	0
Revaluation Losses on Property, Plant and Equipment		16,553	0	0	0	16,553	(16,553)	0
Amounts of non-current assets w/o on disposal/sale part of the Gain/Loss to the CIES		(12)	0	0	0	(12)	12	0
Surplus / (Deficit) on revaluation of long-term assets		10,620	0	0	0	10,620	(10,620)	0
Capital grants & contributions applied	21a	1,941	0	0	0	1,941	(1,941)	0
Revenue expenditure funded from capital under statute	21a	(1,137)	0	0	0	(1,137)	1,137	0
Minimum Revenue Provision	35f	1	0	0	0	1	(1)	0
Revenue Contribution to Capital		0	0	0	0	0	0	0
Adjustment for Finance lease payments		0	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve								
Use of capital receipts reserve to finance new capital expenditure	34b	0	0	5,291	0	5,291	(5,291)	0
Proceeds from sale of long-term assets	34b	0	0	(307)	0	(307)	307	0
Unattached capital receipts	34b	3,659	0	(3,659)	0	0	0	0
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amounts by which CTax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory requirements	35d	(1,293)	0	0	0	(1,293)	1,293	0
Adjustments primarily involving the Accumulated Absences Reserve:								
Amount by which officers remuneration charged to the CIES on an accruals basis is different	35b	3	0	0	0	3	(3)	0
Adjustments primarily involving the Pensions Reserve:								
Employer's pension contributions and direct payments to pensioners payable in year	32	3,193	0	0	0	3,193	(3,193)	0
Actuarial Gains / (Losses) on pension fund assets / liabilities		(3,827)	0	0	0	(3,827)	3,827	0
Reversal of items relating to retirement benefits debited or credited to the CIES	32	(3,959)	0	0	0	(3,959)	3,959	0
Adjustments primarily involving the Financial Instruments Adjustment Account:								
Differences between amounts payable/receivable to be recognised under statutory provisions relating to soft loans	35g	0	0	0	0	0	0	0
Net (increase) / decrease before transfers to earmarked reserves		(1,266)	0	1,325	0	59	(23,818)	(23,759)

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STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	
Transfers to/from earmarked reserves								
	<u>Note</u>							
Budget Carry Forward Reserve	34c	1,273	(1,273)	0	0	0	0	
Capital Fund Reserve	"	(1,642)	1,642	0	0	0	0	
Car Parking Zones Reserve	"	77	(77)	0	0	0	0	
Crematorium	"	50	(50)	0	0	0	0	
Development Sites Decontamination Reserve	"	(629)	629	0	0	0	0	
Economic Impact Reserve	"	160	(160)	0	0	0	0	
Local Development Framework	"	(55)	55	0	0	0	0	
New Homes Bonus Reserve	"	1,000	(1,000)	0	0	0	0	
Performance Reward Grant Reserve (Revenue)	"	(3)	3	0	0	0	0	
Projects and Programme Management	"	1,000	(1,000)	0	0	0	0	
Weekly Collection Support Grant Reserve	"	35	(35)	0	0	0	0	
Transfers to/from earmarked reserves		1,266	(1,266)	0	0	0	0	
(Increase) / Decrease in 2014/15		0	(1,266)	1,325	0	59	(23,818)	(23,759)
Balance as at 31 March 2015		(1,350)	(21,891)	(12,376)	0	(35,617)	(125,240)	(160,857)

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STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	(1,350)	(21,891)	(12,376)	0	(35,617)	(125,240)	(160,857)
Movement in Reserves during 2015/16							
(Surplus) or deficit on provision of services	(19,180)	0	0	0	(19,180)	0	(19,180)
Other Comprehensive Expenditure and (Income)	0	0	0	0	0	(9,325)	(9,325)
Total Comprehensive Expenditure and Income	(19,180)	0	0	0	(19,180)	(9,325)	(28,505)
Adjustments between accounting basis & funding basis under regulations							
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:							
Charges for depreciation and impairment of non-current assets	(5,920)	0	0	0	(5,920)	5,920	0
Revaluation Losses on Property, Plant and Equipment	14,165	0	0	0	14,165	(14,165)	0
Amortisation of intangible assets	(23)	0	0	0	(23)	23	0
Amounts of non-current assets w/o on disposal/sale part of the Gain/Loss to the CIES	(2,211)	0	0	0	(2,211)	2,211	0
Capital grants & contributions applied	116	0	0	1,624	1,740	(1,740)	0
Revenue expenditure funded from capital under statute	(1,350)	0	0	0	(1,350)	1,350	0
Minimum Revenue Provision	44	0	0	0	44	(44)	0
Revenue Contribution to Capital	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants & contributions unapplied credited to the CIES	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:							
Lease mitigation	0	0	0	0	0	0	0
Use of capital receipts reserve to finance new capital expenditure	0	0	4,022	0	4,022	(4,022)	0
Proceeds from sale of long-term assets	1,023	0	(1,023)	0	0	0	0
Unattached capital receipts	12,327	0	(8,109)	(4,218)	0	0	0
Adjustments primarily involving the Deferred Capital Receipts/Payments Reserves:							
Transfer of deferred sale proceeds cr/dr part of the Gain/Loss on disposal to/from the CIES	752	0	0	0	752	(752)	0
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amounts by which CTax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory requirements	(1,619)	0	0	0	(1,619)	1,619	0
Adjustments primarily involving the Accumulated Absences Reserve:							
Amount by which officers remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory req'ments	6	0	0	0	6	(6)	0
Adjustments primarily involving the Pensions Reserve:							
Employer's pension contributions and direct payments to pensioners payable in year	3,246	0	0	0	3,246	(3,246)	0
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,755)	0	0	0	(3,755)	3,755	0
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Differences between amounts payable/receivable to be recognised under statutory provisions	0	0	0	0	0	0	0
Other adjustments to General Fund Balances	(116)	0	0	0	(116)	0	(116)
Net (increase) / decrease before transfers to earmarked reserves	(2,495)	0	(5,110)	(2,594)	(10,198)	(18,423)	(28,621)

-continued

STATEMENT OF MOVEMENT IN RESERVES

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Transfers to/from earmarked reserves							
Area Based Grant Reserve	0	0	0	0	0	0	0
Budget Carry Forward Reserve	(442)	442	0	0	0	0	0
Capital Fund Reserve (including LEP)	650	(810)	0	0	(160)	160	0
Car Parking Zones Reserve	68	(68)	0	0	0	0	0
Charter Place Tenants Reserve	0	0	0	0	0	0	0
Climate Change Reserve	0	0	0	0	0	0	0
Crematorium	0	0	0	0	0	0	0
Development Sites Decontamination Reserve	0	200	0	0	200	(200)	0
Economic Impact Reserve	1,962	(1,962)	0	0	0	0	0
High Street Innovation	0	0	0	0	0	0	0
Homelessness Prevention Reserve	0	0	0	0	0	0	0
Housing Benefit Subsidy Reserve	0	0	0	0	0	0	0
Housing Planning Delivery Grant Reserve	0	0	0	0	0	0	0
Invest to Save Reserve	0	0	0	0	0	0	0
LABGI Business Growth Incentive Reserve (LABGI)	0	0	0	0	0	0	0
Le Marie Centre Repairs Reserve	0	0	0	0	0	0	0
Leisure Structured Maintenance Reserve	0	0	0	0	0	0	0
Local Development Framework	0	0	0	0	0	0	0
Multi-Storey Car Park Repair Reserve	0	0	0	0	0	0	0
New Homes Bonus Reserve	458	(458)	0	0	0	0	0
NNDR Collection Fund Reserve	0	0	0	0	0	0	0
Parks, Waste & Street Strategy Reserve	0	0	0	0	0	0	0
Pension Funding Reserve	0	0	0	0	0	0	0
Performance Reward Grant Reserve (Capital)	0	0	0	0	0	0	0
Performance Reward Grant Reserve (Revenue)	0	0	0	0	0	0	0
Projects and Programme Management	(196)	345	0	0	149	(149)	0
Rent Deposit Guarantee Scheme Reserve	0	0	0	0	0	0	0
Vehicle Replacement Reserve	0	415	0	0	415	(415)	0
Weekly Collection Support Grant Reserve	(5)	5	0	0	0	0	0
Transfers to/from earmarked reserves	2,495	(1,891)	0	0	604	(604)	0
(Increase) / Decrease in 2015/16	0	(1,891)	(5,110)	(2,594)	(9,594)	(19,027)	(28,621)
Balance as at 31 March 2016	(1,350)	(23,782)	(17,486)	(2,594)	(45,212)	(144,266)	(189,478)

STATEMENT OF MOVEMENT IN RESERVES

General Fund Balances

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 Restated					2015/16		
GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000		Note	GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
			Central Services to the Public:				
1,187	(289)	898	Local Taxation Collection		1,478	(445)	1,033
873	(358)	515	Other Central Services		1,046	(330)	716
			Cultural and Related Services:				
5,008	(1,727)	3,281	Leisure Services		5,262	(504)	4,758
781	(96)	685	Other Services		807	(24)	783
			Environmental and Regulatory Services:				
223	(269)	(46)	Cemeteries and Crematoria		219	(320)	(101)
2,215	(509)	1,706	Environmental Health		2,477	(472)	2,005
5,857	(1,253)	4,604	Waste Collection and Disposal		5,533	(771)	4,762
4,839	(1,747)	3,092	Planning and Economic Development		5,872	(1,244)	4,628
2,492	(2,721)	(229)	Highways and Transport Services		2,755	(2,701)	54
44,043	(41,792)	2,251	Housing Services		46,515	(42,341)	4,174
3,251	0	3,251	Corporate and Democratic Core		3,767	0	3,215
201	(201)	0	Central Support Services		454	(277)	177
2,228	0	2,228	Non-distributed Costs		2,147	0	2,699
73,198	(50,962)	22,236	Net Cost of Services		78,332	(49,429)	28,903
			Other Operating (Income)/Expenditure				
		(83)	(Gains)/Losses on Disposal of Non-current Assets				(958)
		(3,658)	Unattached Capital Receipts				(5,960)
		383	Other Operating (Income)/Expenditure				(3,044)
			Financing and Investment (Income)/Expenditure				
		1	Interest Payable and Similar Charges				32
		2,483	Net Interest on the Net Defined Benefit Liability/(Asset)				2,024
		(236)	Interest Receivable and Similar Income				(379)
		(5,238)	(Income)/Exp. relation to Investment Properties				(5,423)
		(14,348)	Investment Properties- Changes in their Fair Value	20a			(14,166)
		0	Other Investment (Income)				49
			Taxation and Non-Specific Grant (Income)				
		(7,956)	Council Tax Income				(7,795)
		(2,116)	Non-domestic Rates Income and Expenditure				(2,578)
		(8,434)	Non-ringfenced Government Grants	8			(7,070)
		0	Capital Grants & Contributions	8			(2,816)
		(16,966)	(Surplus) or Deficit on Provision of Services	7			(19,180)
		(10,620)	(Surplus) / Deficit on Revaluation of PPE assets				(87)
		3,827	Remeasurement of the Net Defined Liability/(Asset)	32			(9,238)
		(6,793)	Other Comprehensive (Income) and Expenditure				(9,325)
		(23,759)	Total Comprehensive (Income) and Expenditure				(28,505)
Total Comprehensive (Income) & Expenditure							(28,505)
MiRS adj, not through CIES (Notes 35c and 18a)							(116)
Balance Sheet movement between 2014/15 & 2015/16							(28,621)
							(28,621)

BALANCE SHEET

31 March 2015 Restated			31 March 2016	
£000	£000	Note	£000	£000
66,998				
7,112				
2,273				
687				
1,945				
107,713				
9,300				
10				
2,371				
198,409				
0				
10				
15,270				
37,986				
7,994				
61,260				
(18,547)				
0				
(18,547)				
(2,411)				
12				
(6,000)				
(5,827)				
(66,039)				
(80,265)				
160,857				
(12,376)				
(21,891)				
(1,350)				
0				
(35,617)				
100				
(158,363)				
3,078				
84				
(1,191)				
76				
66,039				
(35,063)				
(125,240)				
(160,857)				

Signed

Joanne Wagstaffe CPFA
Director of Finance

Date: 29 September 2016

Signed

Derek Scudder
Chairman of Audit Committee

Date: 29 September 2016

CASH FLOW STATEMENT

2014/15			Note	2015/16	
£000	£000			£000	£000
16,966		Net surplus or (deficit) on the provision of services	CIES	19,180	
3,598		Adjustments to net surplus or deficit on the provision of services for non cash movements	28a	(6,054)	
(5,396)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	28a	(12,338)	
	15,168	Net cash flows from Operating Activities			788
(10,267)		Investing Activities	28b	(8,177)	
1,293		Financing Activities	28c	5,702	
	6,194	Net increase/(decrease) in cash and cash equivalents			(1,687)
	1,800	Cash and Cash equivalents at the beginning of the reporting period			7,994
	7,994	Cash and Cash equivalents at the end of the reporting period	27		6,307

1 Accounting Policies - Single Entity and Group Accounts

1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by The Accounts and Audit (England) Regulations 2015, 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 2015/16 and the CIPFA Service Reporting Code of Practice 2015/16 (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

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. [The Council has no overdraft facility.](#)

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. See Note 4 for an outline of PPA's within this set of accounts.

1.07 Charges to Revenue for Long Term 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. [These entries are adjusted through the Movement in Reserves Statement.](#)

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 schemes arrangements are summarised as follows:-](#)

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 3.6%-3.8% (based on the indicative rate of return on high quality corporate bonds);
- [the assets of Hertfordshire County Council \(HCC\) Pension Fund attributable to the Council are included in the Balance Sheet at their bid value as required by International Accounting Standard \(IAS\)19. Full details of the assets held by the Fund are disclosed as part of the Pension scheme disclosure.](#)

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 — credited to the Comprehensive income and expenditure - Other Comprehensive Income and Expenditure line and reversed through the Movement in Reserves to the Pensions Reserve;](#)

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 the Comprehensive Income and Expenditure Statement.

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

Discretionary Benefits

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

1.09 Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period — the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period — the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

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

1.10 Financial Instruments

Financial Liabilities

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

Financial Assets - Loans and Receivables

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

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

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

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

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

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

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).

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.

Where there is intangible asset expenditure of an immaterial nature, the Council's policy is that these be capitalised and then written off in-year.

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.

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).

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.

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 2015/16 (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.

It should be noted that at present the Council has no donated assets.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction — depreciated historical cost
- All other assets — fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value — EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In addition, should current valuations of a similar class of asset suggest material differences in valuations, the entire class to which the asset belongs would be revalued. The current valuers have undertaken a market review of individual asset types within the Council's portfolio at year end to identify any

NOTES TO THE CORE FINANCIAL STATEMENTS

material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

When decreases in value are identified:

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified:

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

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

Depreciation

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

Depreciation is calculated on the following bases:-

- Buildings — straight-line allocation over the useful life of the asset as estimated by the valuer - up to 70 years
- Vehicles — straight-line over the estimated life of the asset - up to 20 years
- Plant, furniture and equipment — straight-line over the estimated life of the asset - up to 20 years
- Infrastructure — straight-line over the estimated life of the asset - up to 25 years
- Finance leases — straight-line over the term of the lease

Please note, to ensure consistency across the Councils policies, the previous accounting policy of depreciating some plant, furniture and equipment has been changed from reducing balance to straightline. This now means all Councils assets if depreciated are depreciated based on a straightline basis. The impact was immaterial.

NOTES TO THE CORE FINANCIAL STATEMENTS

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, **in order to ensure the depreciation charge is realistic.**

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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 **have been simplified** in relation to heritage assets as detailed below.

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

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

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

The level of provisions are reviewed annually by the Council.

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.

1.20 Reserves

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

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

1.21 Revenue Expenditure Funded from Capital under Statute

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

1.22 Value Added Tax (VAT)

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

1.23 Jointly Controlled Operations and Jointly Controlled Assets

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

1.24 Single Entity Financial Statements

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

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

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

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

Subsidiary undertakings are accounted for in accordance with the implementation of IAS27 (International Accounting Standard 27) in the 2015/16 Code. The 2015/16 Code requires consolidation of subsidiaries. Consolidation is a method of accounting whereby an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, reserves, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:-

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

Investments in associates are accounted for in accordance with the implementation of IAS28 in the 2015/16 Code. The 2015/16 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 2015/16 Code. The 2015/16 Code requires use of the "equity method" of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investor's share of the net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

1.26 Taxation (for Group Accounts)

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

1.27 Subscription and Repayment of Members' Capital (for Group Accounts)

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

1.28 Allocation of Profits and Drawings (for Group Accounts)

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

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

1.29 Work in progress (for Group Accounts)

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

1.30 Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- * In the principal market for the asset or liability, or
- * In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- * Level 1 – quoted prices,
- * Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- * Level 3 – unobservable inputs for the asset or liability.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

For 2016/17 the following accounting policy changes that need to be reported relate to:-

- Amendments to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs (2010-2012 cycle)
- Amendments to IFRS11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual improvements to IFRSs (2012-2014 cycle)
- Amendments to IAS1 Presentation of Financial Statements (Disclosure Initiative)
- Changes to the format of the Comprehensive Income & Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement

The new and amended standards require implementation from 1 April 2016.

3 Critical Judgements in Applying Accounting Policies

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

4 Prior Period Adjustments

There are two prior period adjustments included in the statements.

- The Group Cash Flow Statement has been updated to cross reference to the Balance Sheet cash position, the Balance Sheet has also been updated to reflect true classifications of short term liabilities.
- A number of assets classified in 2014/15 as Investment Properties were found to not meet the definition of Investment Properties and have been reclassified (and revalued) during 2015/16 for 2014/15 onwards. This has meant restatement of all major statements, as well as requisite notes 18, 20, 35a, 35c and 35i.

2014/15 Original £000		2014/15 Restated £000
(6,824)	Comprehensive Income and Expenditure Statement (Surplus) / Deficit on revaluation of PPE assets	(10,620)
(6,824)	Total of restated amounts	(10,620)
	Balance Sheet	
50,794	Land and Buildings	66,998
120,121	Investment Properties	107,713
170,915	Total of restated amounts	174,711
	Reserves	
(170,771)	Capital Adjustment Account	(158,363)
(18,859)	Revaluation Reserve	(35,063)
(189,630)	Total of restated amounts	(193,426)

5 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 29 September 2016. 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 2016, the figures in the financial statement and notes would be adjusted in all material respects to reflect the impact of this information.

There is one non-adjusting event to report:

On 23 June 2016 Britain voted to leave the European Union (EU). Property and money markets have seen some volatility since the referendum and this could impact on the future value of the Council's Fixed Assets and Investments.

NOTES TO THE CORE FINANCIAL STATEMENTS

Sensitivity analysis on Investments against interest rates can be found in Note 36 to the accounts.

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 2016 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Property, Plant and Equipment	<p>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.</p> <p style="color: purple;">During 2015/16 the Council reviewed its depreciation methodology and to improve consistency, changed its Plant, Furniture & Equipment asset group from reducing balance to straight-line, for depreciation. This has not been applied retrospectively to 2014/15 as the difference has been deemed immaterial with a differential in 2015/16 of approximately £192k between the two methodologies.</p> <p style="color: purple;">This is a change in accounting estimate, rather than a change in accounting policy.</p>	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	<p>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.</p>	The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2015/16, The Council's actuaries advised that the net pensions liability had decreased by £10,979k as a result of estimates and assumptions being updated.
Arrears	<p>At 31 March 2016, the Council had a short term sundry debtor balance of £15,249k. A review of significant balances suggested a provision of £5,632k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 26.</p>	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be set aside as a bad debt provision or additional bad debt write offs.
Non Domestic Rates Appeals provision	<p>The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2016, and an estimate of the appeals not yet lodged.</p>	If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Estimations	<p>When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques:</p> <ol style="list-style-type: none"> 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2. For level 3 inputs, valuations based on; - Most recent valuations adjusted to current valuation by the use of indexation and impairment review. <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of The Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.</p>	<p>The Council uses combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>
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NOTES TO THE CORE FINANCIAL STATEMENTS

7 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. 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 Comprehensive Income and Expenditure 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

2014/15 £000		2015/16 £000
	Service Area	
7,902	Corporate Strategy & Client Services	9,199
4,879	Community & Customer Services	7,042
1,715	Democracy & Governance	2,039
(2,534)	Regeneration & Development	(883)
1,113	Managing Director	985
0	Human Resources	0
1,892	Strategic Finance	(1,219)
14,967	Net General Fund	17,164
	Funding	
(7,523)	Council Tax	(7,696)
(2,583)	Revenue Support Grant	(2,166)
(2,116)	NNDR	(1,979)
(6,283)	Government Grants & Other Funding	(7,818)
(18,505)	Total Funding	(19,659)
(3,538)	Net General Fund less total funding	(2,495)
3,538	Transfers To / (From) Reserves	2,495
0	Change To General Fund Balance	0

NOTES TO THE CORE FINANCIAL STATEMENTS

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement, analysed by Subjective headings.

2014/15			Subjective Analysis	2015/16		
Finance Digest £000	Not Inc. In FD £000	CI&E £000		Finance Digest £000	Not Inc. In FD £000	CI&E £000
(16,593)	0	(16,593)	Fees, Charges and Other Service Income	(16,378)	0	(16,378)
(236)	0	(236)	Interest and Investment Income	(379)	0	(379)
(7,523)	0	(7,523)	Income From Council Tax	(7,696)	0	(7,696)
0	0	0	Council Tax Surplus	0	0	0
(1,941)	0	(1,941)	Other Income	(1,469)	0	(1,469)
(57,928)	0	(57,928)	Government Grants and	(59,082)	0	(59,082)
(1,089)	1,089	0	Transfer from reserves	(1,617)	1,617	0
(85,310)	1,089	(84,221)	Total Income	(86,620)	1,617	(85,003)
11,731	0	11,731	Employee Expenses	12,318	0	12,318
500	0	500	IAS19 Adjustments	729	0	729
58,743	0	58,743	Other Service Expenses	60,963	0	60,963
(552)	0	(552)	Support Service Recharges	(552)	0	(552)
3,249	0	3,249	Depreciation, Amortisation and Impairment	5,920	0	5,920
0	0	0	Interest Payments	31	0	31
(6,416)	0	(6,416)	Other Items in Budget Monitoring	(12,987)	0	(12,987)
4,627	(4,627)	0	Transfer to reserves	2,345	(2,345)	0
71,882	(4,627)	67,255	Total Expenditure	68,768	(2,345)	66,422
(13,428)	(3,538)	(16,966)	(Surplus)/Deficit on Provision of Services / General Fund Movement	(17,853)	(728)	(18,581)
0	(6,793)	(6,793)	Other Comprehensive Income & Expenditure	0	(9,325)	(9,325)
(13,428)	(10,331)	(23,759)	Total Comprehensive Income & Expenditure	(17,853)	(10,053)	(27,906)
0	23,759	23,759	Movement in Reserves	0	28,621	28,621
(13,428)	13,428	0	(Increase)/Decrease in General Fund Balance	(17,853)	18,568	715

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 2015/16:-

2014/15 £000		2015/16 £000
	Credited To Taxation and Non-Specific Grant Income	
(369)	Council Tax Freeze Grant	(88)
0	Council Tax Support Grant	0
0	Council Tax Transition Grant	0
0	Colne River Project	0
(276)	Homelessness Grant	0
(2,740)	New Homes Bonus	(3,288)
(61)	Non Specific Grant	(58)
0	NNDR Redistributed	0
(2,583)	Revenue Support Grant	(2,166)
0	Section 106 Contributions	(2,816)
(464)	Business Rates Section 31 Grants	0
0	Waste Collection Support Grant	0
(1,941)	Other	(1,470)
(8,434)		(9,886)
	Credited To Services	
(32)	Arts Council - Lottery	(5)
(26)	Building Safer Communities	(15)
(15)	CCTV	(13)
(23)	Cemeteries	(24)
(517)	Housing & Council Tax Benefit Administration Grant	(447)
0	DCLG Local Council Council Tax Scheme	(99)
(244)	Disabled Facility Grant	0
(39,705)	DWP Housing Benefit Grant	(39,911)
0	DWP other	(53)
(72)	Elections	(152)
0	Environmental Health	(1)
(386)	Herts County Council	0
(317)	Housing - Homelessness	(3)
(87)	Individual Electoral Registration	0
(84)	Miscellaneous Highways	0
(5)	Museum	(5)
(118)	New Burdens	(48)
inc. above	NNDR - Cost of Collection Grant	(172)
(78)	Other Grants	(1)
(5)	Performance and Engagement	0
0	Planning	(15)
0	Police & Crime Commissioner	0
(590)	Section 106 Contributions	0
(56)	Sports Development	(53)
(1)	Street Cleansing	0
(17)	Taxi Marshall Scheme	(23)
0	Transport	(23)
(779)	Waste Management	(661)
(43,157)		(41,723)
(51,591)	Total	(51,609)

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:-

2014/15 £000		2015/16 £000
	Long term liabilities-	
(394)	Grant Receipts in Advance (Capital Grants)- Other Government Grants	0
(2,017)	Grant Receipts in Advance (Capital Grants)- Section 106	(380)
(2,411)	Total	(380)

9 Trading Operations

The Council had established trading units but these are now classified as Investment Properties and as such are reported at Note 20. The market with effect from September 2014 was closed down and is now managed by Town & Country Markets Limited. As such trading operations were nil in 2015/16 (nil 2014/15).

10 Joint Operations

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

11 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections, 2014/15 Grant Thornton and 2015/16 Ernst & Young.

2014/15 £000		2015/16 £000
68	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	52
14	Fees payable for other services provided by external auditors during the year.	8
82	Total	60

12 Members' Allowances

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

The total of Members' Allowances paid in the year was £451,979 (2014/15: £447,539).

2014/15 £000		2015/16 £000
0	Salaries	0
448	Allowances	452
0	Expenses (travel & subsistence)	0
448	Total	452

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

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Officers' Remuneration

The Council is required to disclose the number of employees in the accounting period whose remuneration fell in each bracket of a scale in multiples of £5,000, starting with £50,000. For completeness, the Council has included the senior officers remuneration (excluding pensions) from the second table of this note, in the first table of this note, detailed below:-

2014/15 No. of employees	Remuneration Band	2015/16 No. of employees
5	£50,000 - £54,999	5
3	£55,000 - £59,999	0
0	£60,000 - £64,999	0
2	£65,000 - £69,999	0
5	£70,000 - £74,999	6
0	£75,000 - £79,999	0
0	£80,000 - £84,999	1
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
1	£135,000 - £139,999	1
16	Total	13

The Director of Finance is a shared post with Three Rivers District Council who under the lead authority model pick up the costs of this post which is recharged to Watford Borough Council on a 50:50 basis.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 Post	Salary Including Fees and Allowances £	Expenses Allowances £	Compens- ation For Loss of Office £	Pension Contrib- ution £	Total Remuner- ation £
Managing Director	136,456	0	0	21,696	158,152
Head of Legal & Property Services	74,437	0	0	11,835	86,273
Head of Environmental Services	71,908	0	0	11,433	83,341
Head of Human Resources	70,339	0	0	11,184	81,522
Head of Planning & Transportation	71,943	0	0	11,439	83,381
Head of Community Services	71,944	0	0	11,439	83,383
Total	497,026	0	0	79,027	576,053

There were no bonuses given during either period.

14 Termination Benefits

The Council terminated the contracts of 3 employees in 2015/16, incurring liabilities of £74,717 (2014/15: £187,443). Of this total, £74,717 (2014/15: £173,090) was payable in the form of compensation for loss of office and none (2014/15: £14,353) in enhanced pension benefits as part of the Council's rationalisation of Services.

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

2014/15			Cost Band	2015/16		
Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages		Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages
2	0	17,417	£0 - £20,000	0	1	6,985
3	1	129,333	£20,001 - £40,000	0	1	26,000
1	0	40,693	£40,001 - £60,000	1	0	41,732
0	0	0	£60,001 - £80,000	0	0	0
0	0	0	£80,001 - £100,000	0	0	0
0	0	0	£100,001 - £150,000	0	0	0
6	1	187,443	Total	1	2	74,717

The total cost of £74,717 in the table above includes £74,717 for exit packages that have been charged to the Council's CIES in the current year.

15 Related Party Transactions

This disclosure note has been prepared using specific declarations obtained in respect of related party transactions from Members and Senior Officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

Central Government

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. It provides a substantial part of the funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example- Council tax bills and 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 also paid precepts to Hertfordshire County Council, Hertfordshire Police Authority and Parish Council's with which details can be found in the Collection Fund Accounts.

Members and Senior Officers

Information gathered through declarations provided by both members and officers alike has been tabulated below:

Name	Role		Name of Entity	Details
	WBC	Entity		
Ian Brown	Councillor	Representative	West Herts Crematorium	An agreement existing between neighbouring authorities (Hertsmere, St Albans, Dacorum, Three Rivers and Watford) to constitute a Joint Committee under the Local Government Act 2000. In 2015/16, Watford received a contribution of £50,000 (2014/15 £50,000)
Karen Collett	Councillor	Representative		
Manny Lewis	Managing Director	Clerk		
Jo Wagstaffe	Dir of Finance	Treasurer		
Ian Brown	Councillor	Unpaid Director	Lemarie Centre for Charities	Watford received rental income totalling £6,450 in 2015/16 (2014/15 £7,910)
Jan Brown	Councillor	Unpaid Director		
Jane Custance	Head of Regen & Dev	Board Member	Watford Health Campus LLP	Set up in June 2013 in which the Council is a 50:50 partner with Kier Property Investment Ltd. The LLP is a Local Asset Backed Vehicle (LABV) with Kier to redevelop part of West Watford. During the year, the Council paid over the balance of the £6m Growing Places Fund totalling £4.9m as a loan to the LABV towards road construction. The Council also incurred circa £467,000 within it's own capital programme.
Manny Lewis	Managing Director	Board Member		
Jo Wagstaffe	Dir of Finance	Board Member		
George Derbyshire	Councillor	Director	Watford Palace Theatre	Watford Palace Theatre received direct grant funding of £257,728 (2014/15 £257,728) from Watford as well as rent support totalling £32,500 (2014/15 £32,500)
Jagtar Dhindsa	Councillor	Declaration of Interest	Littlebury Residents Association	No transactions identified between Council and Entity
			Watford Indian Association	Routine business transactions with regard invoicing Watford Indian Association for hire of Centrepoint Community Centre where they are based
			West Herts Sports Club	Occasional transactions in the normal course of business
Rabi Martins	Councillor	Member	Herts Police Crime Panel	No transactions identified between Council and Entity
		Panel Member	Central Ward Community Fund	
		President	Watford Rotary Club	
		Director	St Johns Church School	

NOTES TO THE CORE FINANCIAL STATEMENTS

		Vice President	Watford North Scouts	Peppercorn rent charged to North Watford Scouts Group for use of land @ East Drive, Watford
George Derbyshire	Councillor	Board Member	Watford Citizens Advice Bureau	Watford Citizens Advice Bureau received direct grant funding of £204,192 (2014/15 £204,192) from Watford as well as rent support totalling £44,910 (2014/15 £44,110)
Bilqees Mauthoor				
Mo Mills	Councillor	Trustee	West Watford Community Association	West Watford Community Association received a management fee of £23,415 (2014/15 £23,415) from Watford as well as rent support totalling £10,920 (2014/15 £4,000)
Derek Scudder	Councillor	Declaration of Interest	Watford Workshop	Small grant award paid in 2015/16 totalling £1,629 (2014/15 NIL) as well as providing rent free accommodation
			Green Deal Together CIC	Occasional transactions in the normal course of business
Dorothy Thornhill	Mayor	Declaration of Interest	Local Government Information Unit	No transactions identified between Council and Entity
			Local Strategic Partnership	
			Watford Football Club	
			East of England Local Government Association and General Assembly	Routine business transactions with regard invoicing Watford Borough Council for services supplied
			Watford FC Community Sports & Education Trust	The Council paid Watford FC CSET a management fee totalling £72,159 for operating Meriden CC as well as a capital spend of circa £26k with regard the installation of an artificial grass pitch (capital budget set aside of £470k)
Matt Turmaine	Councillor	Declaration of Interest	Hertfordshire Safeguarding Children Board	Employed between 1/4/15 and 10/9/15 and funded by Herts County Council. No transactions identified between Council and Entity
		Declaration of Interest	HCS Integrated Care Team	Employed since September 2015 and funded by Herts County Council. No transactions identified between Council and Entity
Derek Scudder	Councillor	Declaration of Interest	West Herts Golf Course	Rent received from West Herts Golf Club of £70,000 per annum (2014/15 £70,000) as well as occasional transactions in the normal course of business
Darren Walford	Councillor	Appointed Member		
Mark Watkin	Councillor	Governor	Chessbrook Education Support Centre	Occasional transactions in the normal course of business

Hertfordshire Pension Fund

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

NOTES TO THE CORE FINANCIAL STATEMENTS

16 Partnership Working

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

The table below shows the net expenditure of the 5 shared services (4 when Tax and Benefits are considered as one) and the charge to each authority which Watford Borough Council's share was £3.730m in 2015/16 (£3.504m 2014/15).

2014/15		2015/16		
Net Cost £000		Provided by WBC £000	Provided by TRDC £000	Total Net Cost £000
	Services			
1,529	Local Tax Collection	0	1,551	1,551
1,646	Housing Benefits	0	1,750	1,750
1,150	Finance	0	1,100	1,100
556	HR	650	0	650
1,033	ICT	1,159	0	1,159
5,914	Net Cost of Services / Operating Expenditure	1,810	4,401	6,211
(3,504)	Paid by Watford Borough Council	(1,136)	(2,593)	(3,730)
(2,410)	Paid by Three Rivers District Council	(674)	(1,808)	(2,481)
0	(Surplus) / Deficit for the year	0	0	0

17 Intangible Assets

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

During 2015/16, all capital expenditure recorded in this category (£23k) was written off in year.

NOTES TO THE CORE FINANCIAL STATEMENTS

18 Property, Plant and Equipment

a) Movement of Property, Plant and Equipment

2014/15 Restated	Assets Under Constr'n £000	Land & s £000	Vehicles, Plant & Equipment £000	Infra- structure £000	Total £000
Cost or valuation					
At 1 April 2014	0	44,786	17,485	2,636	64,907
Additions - Capital Programme	687	3,898	750	407	5,742
Additions - Finance Leases	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,468	0	0	2,468
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	(128)	0	0	(128)
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	(91)	0	0	(91)
Assets reclassified (to) / from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	0	16,204	0	0	16,204
At 31 March 2015	687	67,137	18,235	3,043	89,102
Accumulated Depreciation & Impairment					
At 1 April 2014	0	(4,123)	(8,989)	(638)	(13,750)
Depreciation Charge	0	(984)	(2,134)	(132)	(3,250)
	0	4,968	0	0	4,968
Depreciation written out to the Revaluation Reserve					
Depreciation written out to the surplus / deficit on the provision of services	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0
At 31 March 2015	0	(139)	(11,123)	(770)	(12,032)
Balance Sheet Value at 31 March 2015	687	66,998	7,112	2,273	77,070
Balance Sheet Value at 1 April 2014	0	40,663	8,496	1,998	51,157

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Assets Under Constr'n	Land & Building	Vehicles, Plant & Equipment	Infra- structure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2015	687	67,137	18,235	3,043	89,102
Additions - Capital Programme	2,277	1,086	2,987	20	6,370
Additions - Finance Leases	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	42	0	0	42
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	(285)	0	0	(285)
Derecognition - Disposals	0	(384)	0	0	(384)
Derecognition - Other	0	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0
At 31 March 2016	2,964	67,596	21,222	3,063	94,845
Accumulated Depreciation & Impairment					
At 1 April 2015	0	(139)	(11,123)	(770)	(12,032)
Depreciation Charge	0	(2,380)	(2,844)	(696)	(5,920)
	0	0	0	0	0
Depreciation written out to the Revaluation Reserve					
Depreciation written out to the surplus / deficit on the provision of services	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0
Derecognition - Disposals	0	23	0	0	23
Derecognition - Other	0	0	0	0	0
Other movements in depreciation and impairment	0	116	0	0	116
At 31 March 2016	0	(2,380)	(13,967)	(1,466)	(17,813)
Balance Sheet Value at 31 March 2016	2,964	65,216	7,255	1,597	77,032
Balance Sheet Value at 1 April 2015	687	66,998	7,112	2,273	77,070

b) 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Land & s £000	Vehicles, Plant & Equipment £000	Infra- structure £000	Total £000
Carried at historical cost	0	21,222	3,063	24,285
Valued at current value as at:				
31/03/2016	42,355	0	0	42,355
31/03/2015	8,154	0	0	8,154
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
Total Cost or Valuation	67,596	21,222	3,063	91,881

c) 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, Assets under construction, 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 allocation over the useful life of the asset as estimated by the valuer - up to 70 years
Vehicles	Straight-line over the estimated life of the asset - up to 20 years
Plant, Furniture & Equipment	Straight-line over the estimated life of the asset - up to 20 years
Infrastructure	Straight-line over the estimated life of the asset - up to 25 years
Finance Leases	Straight-line over the term of the lease

19 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated as part of the rolling 5 year plan. The Council has a rolling programme of repair and restoration 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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	Musical Instrument £000	Statues, Sculptures & War Memorials £000	Works of Art £000	Civic Regalia £000	Total £000
2015/16					
Cost or valuation					
At 1 April 2015	400	645	700	200	1,945
Additions	0	0	0	0	0
On Loan Asset Written Out	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
At 31 March 2016	400	645	700	200	1,945

20 Investment Properties and Surplus Assets

a) Movement of Investment Properties and Surplus Assets

	Investm't Properties £000	Surplus Assets £000	Total £000
2014/15 restated			
At 1 April 2014	105,703	900	106,603
Additions	2,625	0	2,625
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	14,348	(600)	13,748
Derecognition - Disposals	(95)	0	(95)
Derecognition - Other	0	0	0
Assets reclassified	0	9,000	9,000
Other movements in cost or valuation	(2,460)	0	(2,460)
Other movements	(12,408)	0	(12,408)
At 31 March 2015	107,713	9,300	117,013
Balance Sheet Value at 31 March 2015	107,713	9,300	117,013
Balance Sheet Value at 1 April 2014	105,703	900	106,603

	Investm't Properties £000	Surplus Assets £000	Total £000
2015/16			
At 1 April 2015	107,713	9,300	117,013
Additions	6	0	6
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	14,166	0	14,166
Derecognition - Disposals	(1,852)	0	(1,852)
Derecognition - Other	0	0	0
Assets reclassified	0	0	0
Other movements in cost or valuation	0	0	0
At 31 March 2016	120,033	9,300	129,333
Balance Sheet Value at 31 March 2016	120,033	9,300	129,333
Balance Sheet Value at 1 April 2015	107,713	9,300	117,013

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have used a desktop valuation relying on data provided by Lambert, Smith & Hampton, the Council's managing agents. Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants.

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuers

The investment property portfolio has been valued at 31 March 2016 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by Lambert, Smith & Hampton, the Council's valuing agents.

b) 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.

2014/15 £000		2015/16 £000
(6,288)	Rental income from Investment Property	(6,969)
1,050	Direct operating expenses arising from Investment properties	1,548
(5,238)	Net (gain) / loss	(5,421)

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.

21 Capital Expenditure, Financing and Commitments

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

2014/15 £000		2015/16 £000
2,602	Opening Capital Financing Requirement	2,602
	Capital Investment	
5,740	Property, Plant and Equipment	6,370
2,626	Investment Properties	6
0	Intangible Assets	23
1,137	Revenue Expenditure Funded from Capital Under Statute	1,350
9,503		7,749
	Sources of Finance	
(5,292)	Capital receipts	(4,022)
(1,941)	Government Grants and Other Contributions (including S106)	(1,624)
	Sums set aside from revenue;	
	* Direct revenue contributions	
(1,642)	Capital Fund Earmarked Reserve	(764)
(628)	Development Sites Decontamination Earmarked Reserve	0
0	* Local Enterprise Partnership (LEP)	(1,340)
0	MRP from Capital Adjustment Account	(44)
(9,503)		(7,794)
2,602	Closing Capital Financing Requirement	2,557

At 31 March 2016 the Council had contractual commitments totalling £8.869 million (31 March 2015: £2.314 million) relating to its capital schemes that have been undertaken with which appropriate funding is in place.

22 Leases

a) Council as Lessee

i) Operating Leases

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 2015/16 was £30k (2014/15: £39k) and are as follows:

2014/15 £000		2015/16 £000
30	Operational Land and Buildings	30
9	Vehicles, Plant and Equipment	0
39	Total	30

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

2014/15				2015/16		
Land & Buildings £000	Vehicles, Plant & Equipmt £000	Total £000		Land & Buildings £000	Vehicles, Plant & Equipmt £000	Total £000
0	9	9	Not later than one year	30	0	30
30	0	30	Over one year but less than five years	0	0	0
0	0	0	Later than five years	0	0	0
30	9	39	Total Liability	30	0	30

NOTES TO THE CORE FINANCIAL STATEMENTS

ii) Finance Leases

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

2014/15 Total £000		2015/16		
		Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
127	Book value at 1 April	0	86	86
0	Additions	0	0	0
0	Disposals	0	0	0
(41)	Depreciation	0	(77)	(77)
0	Revaluation / Impairment	0	36	36
86	Book value at 31 March	0	45	45

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 15 £000		31 Mar 16 £000
	Vehicles, Plant and Equipment	
	Finance lease liabilities (net present value of minimum lease payments):	
70	Annual Payments	59
14	Finance costs payable in future years	12
84	Minimum lease payments	71

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

31 Mar 15 £000		31 Mar 16 £000
	Vehicles, Plant and Equipment	
59	Not later than one year	46
25	Later than one year and not later than five years	25
0	Later than 5 years	0
84	Total	71

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £120.033million (31 March 2015: £111.998million). The total rental received under these lease agreements and credited to services was £6.969million (2014/15: £6.288million).

The Authority leased a number of its car parks under operating leases over a term of 25 years. The minimum lease payments will be payable over the following periods:

	31 Mar 16 £000
Investment Properties	
Not later than one year	845
Later than one year and not later than five years	3,380
Later than 5 years	16,055
Total	20,280

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 comprise 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.

2014/15 Total £000		2015/16		
		Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
426	Book value at 1 April	423	0	423
0	Additions	0	0	0
0	Disposals	0	0	0
(3)	Depreciation	(3)	0	(3)
0	Revaluation / Impairment	(26)	0	(26)
423	Book value at 31 March	394	0	394

The gross investment is made up of the following amounts:

31 Mar 15 £000		31 Mar 16 £000
131	Land & Buildings	
1,187	Finance lease debtor (net present value of minimum lease payments)	131
	Unearned finance income	1,178
1,318	Gross Investment in the Lease	1,309

NOTES TO THE CORE FINANCIAL STATEMENTS

31 Mar 15		31 Mar 16
Gross Lease Investment		Gross Lease Investment
9	Not later than one year	9
37	Later than one year and not later than five years	37
1,271	Later than five years	1,262
1,317	Total	1,308

23 Debtors & Investments - Long Term

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

31 Mar 15 £000		Net Movem't in year £000	31 Mar 16 £000
	Long Term Debtors		
9	Loan to YMCA	(1)	8
967	Rent to Mortgage	331	1,298
131	Finance Leases as Lessor	0	131
0	Sale of Properties	800	800
7	Charges Registered to Properties	0	7
1,257	Watford Health Campus- Growing Places Fund (interest free loan)	4,743	6,000
2,371		5,873	8,244
	Long Term Investments		
0	Watford Health Campus LABV	177	177
10	Municipal Bonds Agency & Local Capital Finance Company	10	20
10		187	197
2,381	Total	6,060	8,441

24 Assets Held For Sale

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. They are shown within Current Assets in the Balance Sheet.

2014/15 Total £000		2015/16 Total £000
	Cost or valuation	
9,107	At 1 April	0
(9,000)	Assets reclassified to Surplus Assets	0
(107)	Assets sold	0
0	At 31 March	0

NOTES TO THE CORE FINANCIAL STATEMENTS

25 Inventories

The following inventories were held as at 31st March 2016:

31 Mar 15 £000		31 Mar 16 £000
5	Watford Museum (Saleable Items)	6
5	Printing Section (Paper, inks, etc.)	9
10	Total	15

There was no work-in-progress as at 31st March 2016.

26 Debtors - Short Term

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

31 Mar 15 £000		31 Mar 16 £000
6,167	Central Government Bodies	3,638
5,165	Local Authorities	1,027
0	NHS	0
0	Public Corporations	0
9,385	Other Entities and Individuals	10,472
298	Payments in Advance	112
21,015		15,249
(5,745)	Less: Provision for Bad Debts / Impairment	(5,632)
15,270	Total	9,617

27 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 Mar 15 £000		31 Mar 16 £000
	Current Assets	
3	Cash held by the Authority	1
7,991	Bank Current Accounts	5,707
0	Short-term Deposits with Building Societies	0
7,994		5,708
	Current Liabilities	
0	Bank overdrafts	0
7,994	Total	5,708

NOTES TO THE CORE FINANCIAL STATEMENTS

28 Cash Flow Statement- Operating, 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:

2014/15			2015/16	
£000	£000		£000	£000
0		Note 28a- Operation Activities		
0		Interest received	346	
	0	Interest paid	0	
				346
3,249		Depreciation	5,920	
1,135		Impairment and downward valuations	2,390	
0		Amortisation	23	
0		Increase/(decrease) in impairment of bad debts	0	
(1,002)		Increase/(decrease) in creditors	(8,756)	
6,700		(Increase)/decrease in debtors	5,621	
5		(Increase)/decrease in inventories	(5)	
2,171		Movement in pensions liability	(453)	
(8,660)		Other non-cash items charged to the net surplus/deficit on the provision of services	(10,794)	
	3,598			(6,054)
(3,966)		Proceeds from sale of property, plant, equipment, investment property and intangible assets	(10,263)	
(1,430)		Any other items for which the cash effects are investing or financing cash flows	(2,075)	
	(5,396)			(12,338)
	(1,798)			(18,046)
		Note 28b- Investing Activities		
(8,367)		Purchase of property, plant, equipment, investment property and intangible assets	(6,420)	
(88,957)		Purchase of st and It investments	(105,730)	
3,966		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	10,263	
81,200		Proceeds from st and It investments	93,710	
1,891		Other receipts from investing activities	0	
	(10,267)			(8,177)
		Note 28c- Financing Activities		
0		Other receipts from financing activities	0	
0		Cash receipts of short and long term borrowing	1,500	
1,293		Other payments for financing activities	4,202	
0		Repayments of st and It borrowing	0	
	1,293			5,702

29 Creditors - Short Term

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

31 Mar 15 £000		31 Mar 16 £000
(6,725)	Central Government Bodies	(4,574)
(7,420)	Other Local Authorities	(5,302)
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(4,345)	Other Entities and Individuals	(3,073)
(57)	Receipts in Advance	(1,044)
(18,547)	Total	(13,993)

NOTES TO THE CORE FINANCIAL STATEMENTS

30 Creditors - Long Term

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

31 Mar 15 £000		31 Mar 16 £000
12	Deferred Liabilities (obligations under finance leases)	62
(394)	Government Grants receipts in advance	0
(2,017)	Section 106 Contributions receipts in advance	(380)
(6,000)	Loans (Local Authority)	(7,500)
(8,399)	Total	(7,818)

31 Provisions

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

31 Mar 15 £000		Change £000	Used £000	Unused Reversal £000	Unwinding Discounting £000	31 Mar 16 £000
(91)	Property Searches	(82)	76	0	0	(97)
(48)	Municipal Mutual Insurance	0	0	0	0	(48)
(74)	Contractual Provision	0	0	0	0	(74)
(5,614)	NDR Appeals	(3,171)	404	0	0	(8,381)
(5,827)	Total	(3,253)	480	0	0	(8,600)

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. It is possible that additional claimants may come forward to submit claims for refunds, but none have been initiated as present.

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. The Council believes the provision of £48k is prudent.

Contractual Provision

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

NDR Appeals

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

NOTES TO THE CORE FINANCIAL STATEMENTS

32 Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) 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. The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of HCC. Policy is determined in accordance with the Local Government Pension Scheme Regulations 2013. The investment managers of the fund are appointed by the Investment sub-committee of HCC and consist of the fifteen Investment Fund Managers.

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:-

2014/15 £000		2015/16 £000
	Comprehensive Income and Expenditure Statement (CI&ES)	
	Costs of Service	
	<i>Service cost comprising:</i>	
1,456	current service cost	1,695
20	past service cost	36
0	(gain)/loss effects from settlement	0
	<i>Financing and Investment Income and Expenditure</i>	
2,483	Net Interest Expense	2,024
3,959	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,755
	Other Post Employment Benefit Charged to the CI&ES	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
(9,834)	Return on plan assets	1,741
0	Actuarial gains and losses arising on changes in demographic assumptions	0
15,213	Actuarial gains and losses arising on changes in financial assumptions	(8,536)
(1,552)	Other	(2,443)
3,827	Total Remeasurement recognised in Other CI&ES	(9,238)
7,786	Total Post Employment Benefit Charged to CI&ES	(5,483)
	Movement in Reserves Statement	
(7,786)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	5,483
3,193	Employers' contributions payable to the scheme	3,246
3,193	Actual amount charged against the General Fund Balance for pensions in the year	3,246

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 £000		Net Movement in year £000	2015/16 £000
(176,769)	Present value of the defined benefit obligation	9,162	(167,607)
110,730	Fair value of plan assets	(433)	110,297
(66,039)	Net liability arising from defined benefit obligation	8,729	(57,310)

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

Restated as per Actuary report 2014/15 £000		2015/16 £000
99,843	Opening fair value of scheme assets at 1 April	110,730
4,030	Interest income	3,400
	Remeasurement gain/(loss):	
9,834	Return on plan assets	(1,741)
3,193	Contributions from employer	3,246
428	Contributions from employees into the scheme	433
(6,598)	Benefits paid	(5,771)
0	Other	0
110,730	Closing fair value of scheme assets at 31 March	110,297

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

2014/15 £000		2015/16 £000
(161,290)	Opening Balance at 1 April	(176,769)
(1,456)	Current service costs	(1,695)
(6,513)	Interest cost	(5,424)
(428)	Contributions from scheme participants	(433)
	Remeasurement (gains) and losses:	
0	Actuarial gains and losses arising from changes in demographic assumptions	0
(15,213)	Actuarial gains and losses arising from changes in financial assumptions	8,536
1,552	Other	2,443
(20)	Past service costs	(36)
0	Losses/(gains) on curtailments	0
6,599	Benefits paid	5,771
(176,769)	Closing Balance at 31 March	(167,607)

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised

2014/15 Quoted active market £000	2014/15 Quoted non- active market £000	2014/15 Total £000		2015/16 Quoted active market £000	2015/16 Quoted non- active market £000	2015/16 Total £000
2,919.9	0.0	2,919.9	Cash and cash equivalents	3,505.9	0.0	3,505.9
			<i>Equity instruments: by industry type</i>			
9,776.9	0.0	9,776.9	Consumer	8,960.2	0.0	8,960.2
11,582.8	0.0	11,582.8	Manufacturing	8,174.7	0.0	8,174.7
3,196.1	0.0	3,196.1	Energy and Utilities	1,916.5	0.0	1,916.5
9,952.1	0.0	9,952.1	Financial Institutions	8,381.6	0.0	8,381.6
1,642.1	0.0	1,642.1	Health and Care	1,460.3	0.0	1,460.3
6,877.3	0.0	6,877.3	Information Technology	5,216.3	0.0	5,216.3
816.7	0.0	816.7	Other	254.3	0.0	254.3
46,763.9	0.0	46,763.9	Sub-total equity & cash / cash equiv.	37,869.8	0.0	37,869.8
			<i>Bonds: by sector</i>			
0.0	0.0	0.0	Corporate Bonds (inv. grade)	0.0	0.0	0.0
0.0	0.0	0.0	UK Government	0.0	0.0	0.0
0.0	0.0	0.0	Other	0.0	0.0	0.0
0.0	0.0	0.0	Sub-total bonds	0.0	0.0	0.0
			<i>Property: by type</i>			
0.0	0.0	0.0	UK Property	0.0	4,926.1	4,926.1
0.0	0.0	0.0	Overseas Property	0.0	2,879.1	2,879.1
0.0	0.0	0.0	Sub-total property	0.0	7,805.2	7,805.2
			<i>Private Equity:</i>			
0.0	4,586.7	4,586.7	All	0.0	4,734.3	4,734.3
0.0	4,586.7	4,586.7	Sub-total private equity	0.0	4,734.3	4,734.3
			<i>Other Investment Funds:</i>			
15,910.3	0.0	15,910.3	Equities	22,389.6	0.0	22,389.6
29,535.7	0.0	29,535.7	Bonds	30,201.1	0.0	30,201.1
479.7	0.0	479.7	Commodities	521.0	0.0	521.0
0.0	99.0	99.0	Infrastructure	0.0	141.7	141.7
347.8	13,247.0	13,594.8	Other	450.2	6,589.3	7,039.5
46,273.5	13,346.0	59,619.5	Sub-total other investment funds	53,561.9	6,731.0	60,292.9
			<i>Derivatives:</i>			
0.0	(240.1)	(240.1)	Foreign exchange	0.0	(405.1)	(405.1)
0.0	(240.1)	(240.1)	Sub-total derivatives	0.0	(405.1)	(405.1)
93,037.4	17,692.6	110,730.0	Total Assets	91,431.7	18,865.4	110,297.1

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 has 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 15		31 Mar 16
14.10%	Total Returns from 1 April 2015 to 31 March 2016	1.50%
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
22.3	• Men	22.3
24.5	• Women	24.5
	Longevity at 65 for future pensioners	
24.3	• Men	24.3
26.7	• Women	26.7
3.5%	Rate of increase in salaries	3.6%
2.1%	Rate of increase in pensions	2.1%
3.1%	Rate for discounting scheme liabilities	3.4%

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

Impact on the Defined Benefit Obligation in the Scheme.

	2015/16 £000
Longevity (increase in 1 year)	5,028
Rate of increase in salaries (increase by 0.5%)	3,451
Rate of increase in pensions (increase by 0.5%)	12,109
Rate for discounting scheme liabilities (decrease by 0.5%)	15,698
	36,286

Information about the Defined benefit obligation

	Liability Split	Weighted Average Duration
Active members	33.5%	23.2
Deferred members	23.4%	21.5
Pensioner members	43.1%	11.2
Total	100.0%	16.5

Funding levels are monitored on an annual basis, and the next triennial review is due to be based on 31 March 2016 data. The fund liability may go up or down based on this review, and a sensitivity analysis is set out within this note under "impact on the defined benefit obligation in the scheme". The total value of contributions expected to be made by the Council in 2016/17 is £3.256m.

33 Contingent Assets and Liabilities

Contingent Asset - VAT Shelter Agreement

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The recovery of VAT on major works will amount to an estimated £18million, of which the first £1.1million was paid to Watford Borough Council along with 50% of the remaining £16.9million (£8.45million). The rate at which this sum is received will depend on the WCHT work programme. However, £0.305million was received during 2015/16 (2014/15: £0.823 million) leaving a contingent asset of approximately £2.640million (2014/15: £2.945 million) which will be received in the future.

34 Usable Reserves

a) Movement in Usable Reserves

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

Balance at 31 Mar 15 £000	Reserve	Net Movem't in year £000	Balance at 31 Mar 16 £000	Further Detail Note
(12,376)	Capital Receipts Reserve	(5,110)	(17,486)	34b
(21,891)	Earmarked Reserves	(1,892)	(23,783)	34c
(1,350)	General Fund Balance	0	(1,350)	34d
0	Capital Grants Unapplied	(2,594)	(2,594)	34e
(35,617)	Total Net Worth	(9,595)	(45,212)	

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.

2014/15 £000		2015/16 £000
(13,701)	Balance brought forward at 1 April	(12,376)
	Received in year:	
(307)	Proceeds from sale of long-term assets	(1,023)
(2,836)	Shares in preserved Right to Buy (Unattached Capital Receipt)	(3,754)
(823)	VAT Shelter compensation (Unattached Capital Receipt)	(305)
0	Property Investment Board (PIB) receipt (Unattached Capital Receipt)	(4,050)
0	Loan repayments (Unattached Capital Receipt)	0
(3,966)		(9,132)
	Applied in year:	
0	Applied to Capital Adjustment Account to finance new capital expenditure	3,106
5,291	Transferred to Capital Adjustment Account to finance new capital expenditure	916
(12,376)	Balance carried forward at 31 March	(17,486)

c) Earmarked Reserves

This note sets out the amounts set aside from the General Funding earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

NOTES TO THE CORE FINANCIAL STATEMENTS

For each Reserve established the Council identifies:

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

Balance at 01 Apr 14 £000	Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 15 £000		Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 16 £000
(85)	0	0	(85)	Area Based Grant	0	0	(86)
(339)	(1,612)	339	(1,612)	Budget Carry Forward	1,612	(1,170)	(1,170)
(1,642)	0	1,642	0	Capital Fund	(2,150)	1,340	(810)
(630)	(77)	0	(707)	Car Parking Zones	(68)	0	(775)
(160)	0	0	(160)	Charter Place Tenants	0	0	(160)
(57)	0	0	(57)	Climate Change	0	0	(56)
0	0	0	0	Comm. Infra Levy	0	0	0
0	(50)	0	(50)	Crematorium	0	0	(50)
(1,275)	0	629	(646)	Development Sites	0	200	(446)
				Decontamination			
(1,927)	(1,160)	1,000	(2,087)	Economic Impact	(1,962)	0	(4,050)
(90)	0	0	(90)	High Street Innovation	0	0	(90)
(113)	0	0	(113)	Homelessness Prevention	0	0	(112)
(996)	0	0	(996)	Housing Benefit Subsidy	0	0	(997)
(266)	0	0	(266)	Housing Planning Delivery Grant	0	0	(266)
(839)	0	0	(839)	Invest to Save	0	0	(839)
(570)	0	0	(570)	LA Business Growth Incentive (LABGI)	0	0	(570)
(12)	0	0	(12)	Le Marie Centre Repairs	0	0	(13)
(423)	0	0	(423)	Leisure Structured Maintenance	0	0	(423)
(233)	0	55	(178)	Local Development Framework	0	0	(178)
(181)	0	0	(181)	Multi-Storey Car Park	0	0	(181)
(2,611)	(1,000)	0	(3,611)	New Homes Bonus	(458)	0	(4,069)
(4,661)	0	0	(4,661)	NNDR Collection Fund	0	0	(4,661)
(60)	0	0	(60)	Parks, Waste & Street Strategy	0	0	(60)
(2,249)	0	0	(2,249)	Pension Funding	0	0	(2,248)
(191)	0	0	(191)	Performance Reward Grant (Capital)	0	0	(191)
(32)	0	3	(29)	Performance Reward Grant (Revenue)	0	0	(29)
0	(1,000)	0	(1,000)	Project and Programme Management	0	345	(655)
(100)	0	0	(100)	Rent Deposit Guarantee Scheme	0	0	(100)
(725)	0	0	(725)	Vehicle Replacement	0	415	(310)
(158)	(727)	692	(193)	Weekly Collection Support Grant	0	5	(188)
(20,625)	(5,626)	4,360	(21,891)	Total	(3,026)	1,135	(23,783)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Reserve	Purpose
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.
Community Infrastructure Levy	The Community Infrastructure Levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities to help deliver infrastructure to support the development of their area.
Crematorium Reserve	To fund future repairs and maintenance.
Development Sites Decontamination Reserve	To provide for the costs of any decontamination of development sites for which the Council may have liability.
Economic Impact Reserve	To provide resources to offset the impact of the potential downturn of the economy and consequent potential overspends to the Council's budget.
High Street Innovation	To assist with regeneration of Town Centres.
Homelessness Prevention Reserve	To assist with homelessness among young people.
Housing Benefit Subsidy Reserve	This reserve has been created to meet any subsidy clawback by DWP.
Housing Planning Delivery Grant Reserve	This grant was introduced to reward authorities for improved delivery of housing and other planning outcomes.
Invest to Save Reserve	To support schemes where initial expenditure will produce longer term savings.
LA Business Growth Incentive Reserve	Government grant received in respect of business rate growth.
Le Marie Centre Repairs Reserve	To help meet the Council's obligation as landlord.
Leisure Structural Maintenance Reserve	To fund future structural maintenance needs not covered within the existing Leisure services contract.
Local Development Framework Reserve	To help fund the costs of the production of the Local Development Plan.
Multi Storey Car Park Repair Reserve	To provide funds towards major structural works.
New Homes Bonus Reserve	Government grant received in respect of new homes built.
NNDR Collection Fund Reserve	To support the NNDR Collection Fund Deficit.
Parks, Waste & Street Strategy Reserve	To support the Council's parks, waste and street cleansing strategy.
Pension Funding Reserve	To meet one off pension costs and redundancy programme.
Performance Reward Grant Reserve	This is grant allocated for use in conjunction with the LSP, based on the achievement of performance targets.
Projects and Programme Management Reserve	This supports the Council's major project programme
Rent Deposit Guarantee Scheme Reserve	To assist in the provision of homelessness accommodation.
Vehicle Replacement Reserve	To provide for the replacement of the Council's refuse freighters.
Weekly Collection Support Grant Reserve	Grant received to support the weekly domestic waste collection.

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:

2014/15 £000		2015/16 £000
(1,350)	Balance brought forward at 1 April	(1,350)
(1,431)	Net increase/(decrease) before transfers to earmarked reserves	(2,495)
1,431	Transfer (to)/from earmarked reserves	2,495
(1,350)	Balance carried forward at 31 March	(1,350)

e) Capital Grant Unapplied

The Capital Grant Unapplied Reserve is the resources available to meet future grant funded projects. The unallocated of resources held are set out below:

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 £000		2015/16 £000
0	Balance brought forward at 1 April	0
0	Section 106- grants held for future use (transfers from long term creditors)	(1,681)
0	Section 106- grants held for future use (new in year)	(915)
0	Section 106- grants applied (to Capital Adjustment Account)	611
0	Capital Grants applied	1,014
0	Capital Grants brought forward (transfers from long term creditors)	(394)
0	Capital Grants received	(1,075)
0	Community Infrastructure Levy	(152)
0	Balance carried forward at 31 March	(2,594)

35 Unusable Reserves

a) Movement in Unusable Reserves

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

Balance at 31 Mar 15 Restated £000	Reserve	Net Movem't in year £000	Balance at 31 Mar 16 £000	Further Detail Note
100	Accumulated Absences Reserve	(6)	94	35b
(158,363)	Capital Adjustment Account	(13,075)	(171,438)	35c
3,078	Collection Fund Account	1,619	4,697	35d
84	Deferred Capital Payments	1,549	1,633	35e
(1,191)	Deferred Capital Receipts	(1,132)	(2,323)	35f
76	Financial Instruments Account	0	76	35g
66,039	Pensions Reserve	(8,729)	57,310	35h
(35,063)	Revaluation Reserve	748	(34,315)	35i
(125,240)	Total Net Worth	(19,026)	(144,266)	

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.

2014/15 £000		2015/16 £000
104	Balance brought forward at 1 April	100
(104)	Settlement of accrual made at the end of preceding year	(100)
100	Amounts accrued at the end of the current year	94
100	Balance carried forward at 31 March	94

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 non-current assets and for financing the acquisition, construction or additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisation are charged to the CI&ES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amount set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains/losses on Investment Properties.

The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

The MiRS provides details of the source of all the transactions posted to the Account apart from those involving the Revaluation Reserve

2014/15 £000		2015/16 £000
Restated (145,675)	Balance brought forward at 1 April	(158,363)
	Other	(116)
		(158,479)
	Reversal of items relating to capital expenditure debited/credited to the CI&ES	
3,249	Charges for depreciation and impairment of non-current assets	5,920
0	Amortisation of Intangible Assets	23
1,040	Revaluation losses on PPE	285
1,137	Revenue Expenditure Funded from Capital under Statute	1,350
95	Amounts of non-current assets w/o on disposal/sale as part of the gain/loss on disposal to the CI&ES	2,105
(222)	Adjusting amounts w/o of the Revaluation Reserve	(680)
5,299	Net w/o amount of the cost of non-current assets consumed in the year	9,003
	Capital financing applied in the year:	
(5,292)	Use of Capital Receipts Reserve to finance new capital expenditure	(4,022)
(1,941)	Capital Grants/Contributions, applied to capital financing	(1,624)
(1,642)	* Capital Fund Earmarked Reserve	(764)
(628)	* Development Sites Decontamination Earmarked Reserve	0
0	* Local Enterprise Partnership (LEP)	(1,340)
(9,503)		(7,750)
	Other Movements:	
0	Minimum Revenue Provision relating to finance lease payments	(44)
(100)	Transfer relating to Heritage Assets	0
2,556	Relating to write out of Capital Exp not adding value	0
(9,000)	Transfer from Deferred Capital Receipts relating to Assets Held For Sale	0
12,408	Other reclassifications	(2)
(14,348)	Mvmnt in Market value of Investment Properties debited/credited to the CI&ES	(14,166)
(158,363)	Balance carried forward at 31 March	(171,438)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15 £000		2015/16 £000
4,371	Balance brought forward at 1 April	3,078
(1,293)	Amount by which council tax and non-domestic rates income credited to CI&E Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,619
3,078	Balance carried forward at 31 March	4,697

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.

2014/15 £000		2015/16 £000
84	Balance brought forward at 1 April	84
0	Deferred Payment of Local Enterprise Partnership (LEP) Loan	1,500
0	Finance Leases adjustments	49
84	Balance carried forward at 31 March	1,633

f) Deferred Capital Receipts

The Deferred Capital receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

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.

2014/15 £000		2015/16 £000
(10,300)	Balance Brought Forward at 1 April	(1,191)
2	Adjustment for Finance lease payments	0
107	Disposal of Assets Held for Sale (Current Assets)	0
9,000	Transfer from the Capital Adjustment Account relating to Assets Held For Sale	0
0	Revaluation of Rent to Mortgage Properties	(332)
0	Sale of Property- receipt Deferred	(800)
0	Charges Registered to Properties (Other CIES)	0
(1,191)	Balance carried forward at 31 March	(2,323)

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.

2014/15 £000		2015/16 £000
75	Balance brought forward at 1 April	76
1	Financing costs written out	0
76	Balance carried forward at 31 March	76

NOTES TO THE CORE FINANCIAL STATEMENTS

h) Pensions Reserve

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

2014/15 £000		2015/16 £000
61,447	Balance brought forward at 1 April	66,039
3,827	Remeasurements of the net defined benefit liability/(asset)	(9,238)
3,958	Reversal of items relating to retirement benefits debited/(credited) to the Surplus/Deficit on the Provision of Services in the CIES	3,755
(3,193)	Employer's pension contributions and direct payments to pensioners payable in year	(3,246)
66,039	Balance carried forward at 31 March	57,310

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.

2014/15 Restated £000		2015/16 £000
(11,528)	Balance brought forward at 1 April	(35,063)
(23,757)	Upward Revaluation of assets	(42)
0	Downward Revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of service	0
(23,757)	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(42)
222	Difference between fair value depreciation and historical cost depreciation	680
0	Accumulated gains on assets sold or scrapped	110
222	Amount written off to the Capital Adjustment Account	790
(35,063)	Balance carried forward at 31 March	(34,315)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Financial Instruments - Balances

The Balance Sheet includes the following financial instruments:

Non-current	Current		Non-current	Current
31 Mar 15	31 Mar 15		31 Mar 16	31 Mar 16
£000	£000		£000	£000
		Investments		
10	37,986	Financial assets at fair value through profit and loss	197	45,108
		Debtors		
2,371		Loans and receivables	8,244	
	14,972	Financial assets carried at contract amount		9,617
	7,994	Cash and Cash Equivalents		5,708
		Borrowing		
(6,000)		Financial liabilities at amortised cost	(7,500)	
	0	Financial liabilities at fair value through profit and loss		0
		Other long-term Liabilities		
12		PFI and Finance Leases (deferred liabilities)	62	
		Creditors		
(2,411)		Financial liabilities at amortised cost	(380)	
	(18,490)	Financial liabilities carried at contract amount		(13,993)
(6,018)	42,462	Total	623	46,440
36,444			47,063	

Fair Value

Long term debtors comprise mortgages and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value. The Council borrowed on behalf of the LABV, £6.0m from the Growing Places Fund. At 31 March 2016, the Council had £7.5m 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 (2014/15: £1,000) is recorded as a gain in the Comprehensive Income and Expenditure Account and reflected as a reduction in the Financial Instruments Adjustment Account.

Key Risks

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

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

Overall procedures for managing risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 28th January 2015 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2015/16 was set at £13 million (2014/15: £13 million). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £10 million (2014/15: £10 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. Details of the Investment Strategy for 2015/16, which was approved by the Council on 28 January 2015, can be found on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £0.551 million (2014/15: £0.366 million) of the £10.472 million (2014/15: £9.385 million) balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 15 £000		31 Mar 16 £000
92	Less than 3 months	223
38	More than 3 months, less than 6 months	51
38	More than 6 months, less than 1 year	140
198	More than 1 year	137
366	Total	551

Refinancing and Maturity risk

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

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

The maturity analysis of the Council's investments at 31 March 2016 is as follows:-

31 Mar 15 £000		31 Mar 16 £000
37,986	Less than 1 year	45,108
37,986	Total	45,108

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2014/15 £000		2015/16 £000
310	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	415

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).

2014/15			Note	2015/16		
£000	£000			£000	£000	£000
				NDR	Ctax	Total
		Income:				
(47,865)		Council Tax Payers	CF1		(49,216)	
(64,689)		Business Rate Payers		(66,640)		
(222)		Deferred Income for Small Business Rates		0		
(426)		Reduction in Bad Debt Provision (Council Tax including write offs)			0	
(13,302)		Contributions towards previous year's deficit Business Rates		(3,882)		
(126,504)		Total Income		(70,523)	(49,216)	
		Expenditure:				
		<u>Council Tax</u>				
45,664		Precepts and Demands	CF3		47,400	
0		Bad and Doubtful Debts Increase in Provision (including write offs)			1,092	
		<u>Business Rates</u>				
32,595		Shares to Preceptors and the Council	CF4	33,489		
32,596		Central Government Share	CF4	33,490		
1,131		Transitional Payments		241		
8,924		Bad and Doubtful Debts and Appeals Increase in Provision (including write offs)		6,798		
174		Cost of Collection		172		
1,559		Contributions towards previous year's surplus Council Tax	CF6		1,517	
122,643		Total Expenditure		74,190	50,009	
(3,861)		(Increase) / Decrease in Collection Fund Balance		3,668	793	
9,895		Fund Balance - (Surplus) / Deficit at 1 April		8,859	(2,825)	
6,034		Fund Balance - (Surplus) / Deficit at 31 March	CF5	12,527	(2,032)	
					10,495	

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 2015/16.

2014/15 Equivalent Number of Band D Dwellings	Valuation Band	2015/16				Equivalent Number of Band D Dwellings
		Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)	
(3.38)	A (Disabled Relief)	0.00	-	0.00	5/9	0.00
101.24	A	279.00	(122.29)	156.71	6/9	104.47
1,864.22	B	3,938.00	(1,531.98)	2,406.02	7/9	1,871.35
9,351.82	C	14,028.00	(3,143.02)	10,884.98	8/9	9,675.54
10,039.10	D	12,430.00	(2,174.61)	10,255.39	9/9	10,255.39
3,815.25	E	3,628.00	(421.77)	3,206.23	11/9	3,918.73
2,839.32	F	2,135.00	(151.43)	1,983.57	13/9	2,865.16
2,896.33	G	1,871.00	(113.50)	1,757.50	15/9	2,929.17
139.50	H	82.00	(13.25)	68.75	18/9	137.50
31,043.40		38,391.00	(7,671.85)	30,719.15		31,757.30
(931.30)	Less: Allowance for losses on collection					(952.72)
30,112.10	Tax Base for Calculation of Council Tax					30,804.58
1,451.18	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					1,179.56
31,563.28	Council Tax Base for the Year					31,984.14

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 £1,538.75 (£1,516.49 for 2014/15, no change).

2014/15 £000		2015/16 £000
(47,865)	Gross Council Tax Charge	(49,216)
(47,865)	Income from Council Tax Payers	(49,216)

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:

NOTES TO THE COLLECTION FUND

2014/15 £		2015/16 £
156,315,614	Total Non-domestic Rateable Value at 31 March	155,828,212
48.2	National Non-domestic Rate Multiplier - Standard	49.3
47.1	National Non-domestic Rate Multiplier - Small Business	48.0

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.

CF3 Precepts And Demands - Council Tax

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

2014/15 £000	Council Tax	2015/16 £000
33,690	Precepts:	
4,451	Hertfordshire County Council	35,151
	Hertfordshire Police & Crime Commissioner (PCC)	4,554
7,523	Demand:	
	Watford Borough Council	7,696
45,664	Total	47,401

CF4 Shares - Business Rates

2014/15 £000	Business Rates	2015/16 £000
6,518	Hertfordshire County Council	6,697
26,077	Watford Borough Council	26,792
32,596	Central Government	33,490
65,191	Total	66,979

CF5 Distribution of Balances

Based on the precepts and demands made in 2015/16, 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:

NOTES TO THE COLLECTION FUND

2014/15 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Watford Borough Council £000	2015/16 Total £000
5,591	Gross Arrears	4,008	496	844	5,348
(831)	Less: Prepayments	(663)	(82)	(140)	(884)
4,760	Net Arrears	3,345	414	704	4,463
(3,487)	Provision for Doubtful Debts	(3,144)	(389)	(662)	(4,195)
(2,826)	Collection Fund Balance	(1,533)	(184)	(315)	(2,032)

2014/15 Total £000	Business Rates	Herts County Council £000	Watford Borough Council £000	Central Government £000	2015/16 Total £000
3,962	Gross Arrears	266	1,063	1,329	2,658
(2,101)	Less: Prepayments & Credits	(117)	(468)	(584)	(1,169)
1,861	Net Arrears	149	596	745	1,489
(2,149)	Provision for Doubtful Debts	(137)	(549)	(686)	(1,372)
(14,036)	Provision for Appeals	(2,095)	(8,381)	(10,476)	(20,953)
8,859	Collection Fund Balance	1,253	5,011	6,263	12,527

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

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

CF6 Collection Fund Surpluses and Deficits

The Council Tax surplus that was generated up to 31 March 2015 was distributed to Hertfordshire County Council, Hertfordshire Police and Crime Commissioner and Watford Borough Council during 2015/16. The distribution was made in proportion to the value of the respective precepts and demands made by the bodies on the Collection Fund. The amounts are shown below:-

2014/15 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Watford Borough Council £000	2015/16 Total £000
1,559	Surplus Distribution	1,120	148	250	1,517

The Council Tax surplus of £2,031,768 at 31st March 2016 will be distributed in subsequent financial years.

The Business Rates deficit at 31 March 2016 will be recovered in subsequent financial years from the Council, Central Government and Hertfordshire County Council in proportion to the value of the respective shares of the Business Rates Retention Scheme.



GROUP ACCOUNTS

2015/2016

GROUP STATEMENT OF MOVEMENT IN RESERVES

Restated	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Share of JV Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
GROUP STATEMENT OF MOVEMENT IN RESERVES								
Balance at 1 April 2014	(1,350)	(20,625)	(13,701)	0	42	(35,634)	(101,422)	(137,056)
Movement in Reserves during 2014/15								
(Surplus) or deficit on provision of services	(16,944)	0	0	0	0	(16,944)	0	(16,944)
Other Comprehensive Expenditure and (Income)	(6,793)	0	0	0	0	(6,793)	0	(6,793)
Total Comprehensive Expenditure and Income	(23,737)	0	0	0	0	(23,737)	0	(23,737)
Adjustments between accounting basis & funding basis under regulations								
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:								
Charges for depreciation and impairment of non-current assets	(3,249)	0	0	0	0	(3,249)	3,249	0
Revaluation Losses on Property, Plant and Equipment	16,553	0	0	0	0	16,553	(16,553)	0
Amounts of non-current assets w/o on disposal/sale part of the Gain/Loss to the CIES	(12)	0	0	0	0	(12)	12	0
Surplus / (Deficit) on revaluation of long-term assets	10,620	0	0	0	0	10,620	(10,620)	0
Capital grants & contributions applied	1,941	0	0	0	0	1,941	(1,941)	0
Revenue expenditure funded from capital under statute	(1,137)	0	0	0	0	(1,137)	1,137	0
Minimum Revenue Provision	1	0	0	0	0	1	(1)	0
Revenue Contribution to Capital	0	0	0	0	0	0	0	0
Adjustment for Finance lease payments	0	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve								
Use of capital receipts reserve to finance new capital expenditure	0	0	5,291	0	0	5,291	(5,291)	0
Proceeds from sale of long-term assets	0	0	(307)	0	0	(307)	307	0
Unattached capital receipts	3,659	0	(3,659)	0	0	0	0	0
Adjustments primarily involving the Collection Fund Adjustment Account:								
Amounts by which CTax and NNDR income credited to the CIES is different from that calculated	(1,293)	0	0	0	0	(1,293)	1,293	0
Adjustments primarily involving the Accumulated Absences Reserve:								
from remuneration chargeable in the year in accordance with statutory requirements	3	0	0	0	0	3	(3)	0
Adjustments primarily involving the Pensions Reserve:								
Employer's pension contributions and direct payments to pensioners payable in year	3,193	0	0	0	0	3,193	(3,193)	0
Actuarial Gains / (Losses) on pension fund assets / liabilities	(3,827)	0	0	0	0	(3,827)	3,827	0
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,959)	0	0	0	0	(3,959)	3,959	0
Adjustments primarily involving the Financial Instruments Adjustment Account:								
Differences between amounts payable/receivable to be recognised under statutory provisions relating to soft loans	0	0	0	0	0	0	0	0
Adjustments primarily involving the Share of Joint Venture Reserve:								
Share of Surplus / (Deficit) on Provision of Services by Joint Venture	(22)	0	0	0	22	0	0	0
Net (increase) / decrease before transfers to earmarked reserves	(1,266)	0	1,325	0	22	81	(23,818)	(23,737)

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GROUP STATEMENT OF MOVEMENT IN RESERVES

GROUP STATEMENT OF MOVEMENT IN RESERVES	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Share of JV Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Transfers to/from earmarked reserves								
Budget Carry Forward Reserve	1,273	(1,273)	0	0	0	0	0	0
Capital Fund Reserve	(1,642)	1,642	0	0	0	0	0	0
Car Parking Zones Reserve	77	(77)	0	0	0	0	0	0
Charter Place Tenants Reserve	0	0	0	0	0	0	0	0
Climate Change Reserve	0	0	0	0	0	0	0	0
Crematorium	50	(50)	0	0	0	0	0	0
Development Sites Decontamination Reserve	(629)	629	0	0	0	0	0	0
Economic Impact Reserve	160	(160)	0	0	0	0	0	0
High Street Innovation	0	0	0	0	0	0	0	0
Housing Planning Delivery Grant Reserve	0	0	0	0	0	0	0	0
Invest to Save Reserve	0	0	0	0	0	0	0	0
LA Business Growth Incentive Reserve (LABGI)	0	0	0	0	0	0	0	0
Local Development Framework	(55)	55	0	0	0	0	0	0
New Homes Bonus Reserve	1,000	(1,000)	0	0	0	0	0	0
NNDR Collection Fund Reserve	0	0	0	0	0	0	0	0
Parks, Waste & Street Strategy Reserve	0	0	0	0	0	0	0	0
Pension Funding Reserve	0	0	0	0	0	0	0	0
Performance Reward Grant Reserve (revenue)	(3)	3	0	0	0	0	0	0
Projects and Programme Management	1,000	(1,000)	0	0	0	0	0	0
Vehicle Replacement Reserve	0	0	0	0	0	0	0	0
Weekly Collection Support Grant Reserve	35	(35)	0	0	0	0	0	0
Transfers to/from earmarked reserves	1,266	(1,266)	0	0	0	0	0	0
(Increase) / Decrease in 2014/15	0	(1,266)	1,325	0	22	81	(23,818)	(23,737)
Balance as at 31 March 2015	(1,350)	(21,891)	(12,376)	0	64	(35,553)	(125,240)	(160,793)

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GROUP STATEMENT OF MOVEMENT IN RESERVES

GROUP STATEMENT OF MOVEMENT IN RESERVES	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Share of JV Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	(1,350)	(21,891)	(12,376)	0	64	(35,553)	(125,240)	(160,793)
Movement in Reserves during 2015/16								
(Surplus) or deficit on provision of services	(19,322)	0	0	0	0	(19,322)	0	(19,322)
Other Comprehensive Expenditure and (Income)	0	0	0	0	0	0	(9,325)	(9,325)
Total Comprehensive Expenditure and Income	(19,322)	0	0	0	0	(19,322)	(9,325)	(28,647)
Adjustments between accounting basis & funding basis under regulations								
Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:								
Charges for depreciation and impairment of non-current assets	(5,920)	0	0	0	0	(5,920)	5,920	0
Revaluation Losses on Property, Plant and Equipment	14,165	0	0	0	0	14,165	(14,165)	0
Amortisation of intangible assets	(23)	0	0	0	0	(23)	23	0
Amounts of non-current assets w/o on disposal/sale part of the Gain/Loss to the CIES	(2,211)	0	0	0	0	(2,211)	2,211	0
Capital grants & contributions applied	116	0	0	1,624	0	1,740	(1,740)	0
Revenue expenditure funded from capital under statute	(1,350)	0	0	0	0	(1,350)	1,350	0
Minimum Revenue Provision	44	0	0	0	0	44	(44)	0
Revenue Contribution to Capital	0	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants & contributions unapplied credited to the CIES	0	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve								
Use of capital receipts reserve to finance new capital expenditure	0	0	4,022	0	0	4,022	(4,022)	0
Proceeds from sale of long-term assets	1,023	0	(1,023)	0	0	0	0	0
Unattached capital receipts	12,327	0	(8,109)	(4,218)	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts/Payments Reserves:								
Transfer of deferred sale proceeds credited part of the Gain / Loss on disposal to the CIES	752	0	0	0	0	752	(752)	0
Adjustments primarily involving the Collection Fund Adjustment Account:								
Collection Fund adjustment in accordance with statutory requirements	(1,619)	0	0	0	0	(1,619)	1,619	0
Adjustments primarily involving the Accumulated Absences Reserve:								
Accrued employee benefits adjustment in accordance with statutory requirements	6	0	0	0	0	6	(6)	0
Adjustments primarily involving the Pensions Reserve:								
Employer's pension contributions and direct payments to pensioners payable in year	3,246	0	0	0	0	3,246	(3,246)	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	(3,755)	0	0	0	0	(3,755)	3,755	0
Adjustments primarily involving the Share of Joint Venture Reserve:								
Share of (Surplus) / Deficit on Provision of Services by Joint Venture	142	0	0	0	(142)	0	0	0
Other adjustments to General Fund Balances	(116)	0	0	0	0	(116)	0	(116)
Net increase / decrease before transfers to earmarked reserves	(2,495)	0	(5,110)	(2,594)	(142)	(10,340)	(18,423)	(28,763)

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GROUP STATEMENT OF MOVEMENT IN RESERVES

GROUP STATEMENT OF MOVEMENT IN RESERVES	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Share of JV Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Transfers to/from earmarked reserves								
Area Based Grant Reserve	0	0	0	0	0	0	0	0
Budget Carry Forward Reserve	(442)	442	0	0	0	0	0	0
Capital Fund Reserve (including LEP)	650	(810)	0	0	0	(160)	160	0
Car Parking Zones Reserve	68	(68)	0	0	0	0	0	0
Charter Place Tenants Reserve	0	0	0	0	0	0	0	0
Climate Change Reserve	0	0	0	0	0	0	0	0
Crematorium	0	0	0	0	0	0	0	0
Development Sites Decontamination Reserve	0	200	0	0	0	200	(200)	0
Economic Impact Reserve	1,962	(1,962)	0	0	0	0	0	0
High Street Innovation	0	0	0	0	0	0	0	0
Homelessness Prevention Reserve	0	0	0	0	0	0	0	0
Housing Benefit Subsidy Reserve	0	0	0	0	0	0	0	0
Housing Planning Delivery Grant Reserve	0	0	0	0	0	0	0	0
Invest to Save Reserve	0	0	0	0	0	0	0	0
LA Business Growth Incentive Reserve (LABGI)	0	0	0	0	0	0	0	0
Le Marie Centre Repairs Reserve	0	0	0	0	0	0	0	0
Leisure Structured Maintenance Reserve	0	0	0	0	0	0	0	0
Local Development Framework	0	0	0	0	0	0	0	0
Multi-Storey Car Park Repair Reserve	0	0	0	0	0	0	0	0
New Homes Bonus Reserve	458	(458)	0	0	0	0	0	0
NNDR Collection Fund Reserve	0	0	0	0	0	0	0	0
Parks, Waste & Street Strategy Reserve	0	0	0	0	0	0	0	0
Pension Funding Reserve	0	0	0	0	0	0	0	0
Performance Reward Grant Reserve (Capital)	0	0	0	0	0	0	0	0
Performance Reward Grant Reserve (Revenue)	0	0	0	0	0	0	0	0
Projects and Programme Management	(196)	345	0	0	0	149	(149)	0
Rent Deposit Guarantee Scheme Reserve	0	0	0	0	0	0	0	0
Vehicle Replacement Reserve	0	415	0	0	0	415	(415)	0
Weekly Collection Support Grant Reserve	(5)	5	0	0	0	0	0	0
Transfers to/from earmarked reserves	2,495	(1,891)	0	0	0	604	(604)	0
Increase / Decrease in 2015/16	0	(1,891)	(5,110)	(2,594)	(142)	(9,736)	(19,027)	(28,763)
Balance as at 31 March 2016	(1,350)	(23,782)	(17,486)	(2,594)	(78)	(45,290)	(144,267)	(189,556)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 Restated NET EXPEND- ITURE £000	GROUP CIES STATEMENT	Note	2015/16		
			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
	Central Services to the Public:				
898	Local Taxation Collection		1,478	(445)	1,033
515	Other Central Services		1,046	(330)	716
	Cultural and Related Services:				
3,281	Leisure Services		5,262	(504)	4,758
685	Other Services		807	(24)	783
	Environmental and Regulatory Services:				
(46)	Cemeteries and Crematoria		219	(320)	(101)
1,706	Environmental Health		2,477	(472)	2,005
4,604	Waste Collection and Disposal		5,533	(771)	4,762
3,092	Planning and Economic Development		5,872	(1,244)	4,628
(229)	Highways and Transport Services		2,755	(2,701)	54
2,251	Housing Services		46,515	(42,341)	4,174
3,251	Corporate and Democratic Core		3,767	0	3,767
0	Central Support Services		454	(277)	177
2,228	Non-distributed Costs		2,147	0	2,147
22,236	Net Cost of Services		78,332	(49,429)	28,903
	Other Operating (Income) and Expenditure				
(83)	(Gains) / Losses on disposal of long-term assets				(958)
(3,658)	Unattached capital receipts				(5,960)
383	Other Operating (Income) and Expenditure				(3,044)
	Financing and Investment (Income)/Expenditure				
1	Interest payable and similar charges				32
2,483	Pension interest costs & expected return on assets				2,024
(236)	Interest receivable and similar income				(379)
(5,238)	(Income)/Expenditure in relation to Investment Properties				(5,423)
(14,348)	Changes in the fair value of Investment Properties				(14,166)
0	Other Investment (Income) / Expenditure				49
	Taxation and Non-Specific Grant Income				
(7,956)	Council Tax Income				(7,795)
(2,116)	Non-domestic Rates Redistribution				(2,578)
(8,434)	Non-ringfenced Government Grants				(7,070)
0	Capital Grants and Contributions				(2,816)
(16,966)	(Surplus) or Deficit on Provision of Services				(19,180)
22	Share of (Surplus) / Deficit on Provision of Services by Joint Venture				(142)
(16,944)	Group (Surplus) / Deficit				(19,322)
(10,620)	(Surplus) / Deficit on revaluation of long-term assets				(87)
3,827	Actuarial (gains) or losses on pension assets and liabilities				(9,238)
(6,793)	Other Comprehensive (Income) and Expenditure				(9,325)
(23,737)	Total Comprehensive (Income) and Expenditure				(28,646)

GROUP BALANCE SHEET

31 March 2015 RESTATED			31 March 2016	
£000	£000	Note	£000	£000
67,456			65,216	
7,112			7,255	
2,273			1,597	
687			6,781	
1,945			1,945	
107,714			120,033	
9,300			9,300	
10			197	
1,654			5,244	
	198,151			217,568
0			0	
101			192	
15,330			9,746	
37,986			45,108	
10,068			6,185	
	63,485			61,231
(20,577)			(15,514)	
0			0	
	(20,577)			(15,514)
(2,411)			(380)	
12			62	
(6,000)			(7,500)	
(5,827)			(8,600)	
(66,039)			(57,310)	
	(80,265)			(73,728)
	160,794			189,556
(12,376)			(17,486)	
(21,891)			(23,783)	
(1,350)			(1,350)	
0			(2,594)	
64			(78)	
	(35,553)			(45,290)
100			94	
(158,364)			(171,438)	
3,078			4,697	
84			1,633	
(1,191)			(2,323)	
76			76	
66,039			57,310	
(35,063)			(34,315)	
	(125,241)			(144,266)
	(160,794)			(189,556)

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: 29 September 2016

Signed
Derek Scudder
Chairman of Audit Committee

Date: 29 September 2016

GROUP CASH FLOW STATEMENT

2014/15 RESTATED		GROUP CASH FLOW STATEMENT	2015/16	
£000	£000		£000	£000
16,944		Net surplus or (deficit) on the provision of services	19,322	
5,490		Adjustments to net surplus or deficit on the provision of services for non cash movements	(6,718)	
0		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	(12,338)	
	22,434			266
	22,434	Net cash flows from Operating Activities		266
		Investing Activities		
(5,778)		Purchase of PPE, Investment Property and intangible assets	(9,779)	
(88,490)		Purchase of short term / long term investments	(105,730)	
319		Proceeds from the sale of PPE, Investment Property and intangible assets	10,263	
81,200		Proceeds from short term / long term investments	93,710	
(3,763)		Other receipts/payments from investing activities	0	
	(16,512)			(11,536)
		Financing Activities		
0		Other receipts/payments from financing activities	0	
0		Cash receipts of short and long term borrowing	1,500	
0		Other payments for financing activities	4,202	
1,838		Cash Receipts of short-term / long term borrowing	2,283	
	1,838			7,985
	7,760	Net increase/(decrease) in cash and cash equivalents		(3,285)
	2,308	Cash and Cash equivalents at the beginning of the reporting period		10,068
	10,068	Cash and Cash equivalents at the end of the reporting period		6,784

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 2015/16 using the equity method for Joint Ventures under International Accounting Standard 28, 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 18th June 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:

2014/15 £000		2015/16 £000
(22)	Administrative Expenses	(25)
(22)	Loss for the period	(25)
458	Project under Development (Long Term Assets: AuC- road infrastructure)	3,817
91	Work in Progress (Current Assets)	177
60	Debtors (Current Assets)	129
2,074	Cash and Cash Equivalents (Current Assets)	477
(2,030)	Creditors (Current Liabilities)	(1,521)
(717)	Reduction in LT Debtors due to elimination of internal balances	(3,000)
(64)	Net Assets	78

3 Related Party Transactions

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

2014/15			2015/16	
Purchases £000	Amounts Outstand- ing at 31 March £000		Purchases £000	Amounts Outstand- ing at 31 March £000
68	0	Kier Project Investment Limited	43	0
122	0	Kier Property Development Limited	118	0
0	0	Watford Borough Council	0	0

NOTES TO THE GROUP ACCOUNTS

Members' Capital Contributions (Loan Notes)

Watford Borough Council and Kier Property Development Limited made capital contributions of £150,000 previously through Loan Notes A's. Interest of £19.5k has been accrued in respect of these 2015/16 total contributions, of which 50% (£9.75k) is Watford Borough Council's share.

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 from Watford Borough Council, payable in 5 years from the date of first drawdown, expected in 2016/17. 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 £6m interest free loan received from Watford Borough Council from Growing Places Funding during the period are categorised as a long term liability, note 50% of £6m is £3m for the share of the total. (2014/15 £0.8M)

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 to the members of Watford Borough Council

Opinion on the Authority's financial statements

We have audited the financial statements of Watford Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Notes 1-36
- Collection Fund and the related notes 1 to 6

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Watford Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 2, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material

INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Watford Borough Council and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy,

INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Watford Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Watford Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Watford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Watford Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Andrew Brittain (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
29 September 2016