



**WATFORD
BOROUGH
COUNCIL**

AUDIT COMMITTEE

Item 12

Draft Statement of Accounts 2016/17

29 June 2017

7.00 pm

Town Hall, Watford

Contact

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For information about attending meetings please visit the [council's website](#).

Publication date: 21 June 2017

Committee Membership

Councillor D Scudder (Chair)

Councillor J Johnson (Vice-Chair)

Councillors Ahsan Khan, B Mauthoor and T Williams

Agenda

Part A - Open to the Public

12. Draft Annual Statement of Accounts 2016/17 (Pages 171 - 272)

Report of the Head of Finance (Shared Services)

This report allows the Committee to review the draft Statement of Accounts for 2016/17 in advance of official sign-off of the audited version at Audit Committee in September.

Report to: Audit Committee

Date of meeting: 29 June 2017

Report of: Bob Watson - Head of Finance (shared services)

Title: Draft Annual Statement of Accounts 2016/17

1.0 **SUMMARY**

1.1 This report allows the Committee to review the draft Statement of Accounts for 2016/17 in advance of official sign-off of the audited version at Audit Committee in September.

2.0 **RECOMMENDATIONS**

2.1 That the Committee seeks any clarification it needs concerning the draft Statement of Accounts for 2016/17, concerning the content and the processes followed in the compilation of the statement.

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

Contact Officer:

For further information on this report please contact: -

Bob Watson, Head of Finance (shared services)

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email: bob.watson@threerivers.gov.uk

Report approved by: Bob Watson, Head of Finance

3.0 **DETAILS**

- 3.1 The Accounts and Audit (England) Regulations 2011 introduced a more sensible approach to the auditing and approving of the annual statement of accounts. Audit Committee no longer has a responsibility for approving the pre-audit Statement before 30 June each year; this responsibility is that of the senior financial officer in the council, being the Director of Finance. Audit Committee must still receive the audited Statement of Accounts and the auditor's report before the end of September. The regulations now state that whilst the accounts still have to be completed by 30 June, they are not approved by members before they have been audited. This allows amendments to be made and the auditor's report to be taken into account before final sign-off and approval.
- 3.2 The Auditor's 'Report to those charged with Governance' will be considered by the Committee on 27 September 2017.
- 3.3 The Council's draft Statement of Accounts for 2016/2017 will be circulated separately.
- 3.4 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 January 2016. Members are referred to the Narrative Statement in the Accounts. Please note that scrutiny of the outturn position is the responsibility of the Budget Panel and not this committee. This committee is charged with the governance around the compilation and completeness of the accounting statements.
- 3.5 The financial statements have been prepared under International Financial Reporting Standards (IFRS), a statutory accounting framework adopted by all local government authorities. The Chartered Institute of Public Finance and Accountancy (CIPFA) produces a Code of Practice on Local Authority Accounting which reflects the statutory requirements and any specific requirements pertinent to local authorities and this has been followed in preparing the financial statements.
- 3.6 A draft Annual Governance Statement (AGS) is considered elsewhere on this agenda and will be incorporated into the Statement for final approval. This Committee also monitors progress on the system of internal control and the action plans deriving from the AGS.
- 3.7 The accounting statements summarise the cost of providing services during the year and the balances held by the Council at the 31 March 2017. Supporting information is provided in Notes to the Statements. To assist the scrutiny function of the Statement of Accounts, Members are referred to the Narrative Statement which reports the statutory accounting statements in a format that Members will be familiar with from monthly management reporting during the year.
- 3.8 This recommendation allows the Committee to ask questions about the draft Statement of Accounts for 2016/17 prior to their final approval in September.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The recommendations in this report are within the Council's agreed policy and budgets.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Accounts and Audit Regulations 2011 state the responsible financial officer of a larger relevant body must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

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

APPENDICES

Appendix 1 Draft Statement of Accounts 2016/17 (circulated separately)



**WATFORD
BOROUGH
COUNCIL**

DRAFT

STATEMENT OF ACCOUNTS

2016/2017

29/06/2017 V1.0

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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 draft Statement of Accounts presents a true and fair view of the financial position of Watford Borough Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Signed
Joanne Wagstaffe CPFA

Date: 30 June 2017

Signed
Derek Scudder
Chairman of Audit Committee

Date: 30 June 2017

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 29 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 30th September 2017.

5. Revenue Activities

Revenue Out-turn 2016/17

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 (2015/16: £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 service variances are:

- Increased costs associated with homelessness families £0.319m
- Reduction in planning application fees £0.217m
- Additional management fee income from leisure facility provider (£0.466m)

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

	2016/17	
	Original Net Budget £000	Net Outturn £000
Service Area		
Corporate Strategy and Client Services	7,246	6,561
Community and Customer Services	4,324	5,095
Democracy and Governance	3,382	3,410
Deputy Managing Director	(4,995)	(5,160)
Managing Director	260	592
Human Resources	576	577
Strategic Finance	5,243	4,931
Net General Fund	16,036	16,006
Funding		
Council Tax	(7,824)	(7,824)
Revenue Support Grant	(1,310)	(1,311)
NNDR	(2,600)	(2,600)
Government Grants & Other Funding	(3,559)	(5,748)
Total Funding	(15,293)	(17,483)
Net General Fund less total funding	743	(1,477)
Transfers To / (From) Reserves	(743)	1,477
(Surplus) / Deficit for the year	0	0

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

NARRATIVE STATEMENT

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 an increase of £5 in the average council tax charge for 2017/18, the Council is planning no further 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 2016/17

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2016/17 is shown below:-

	2016/17		
	Current Budget £000	Actual Out-turn £000	Variance £000
Key Projects	14,142	11,996	(2,146)
Environmental Services	363	409	46
Community & Leisure Services	9,744	8,136	(1,608)
Housing Services	816	518	(298)
Parking Services	92	65	(27)
Asset Management	2,205	532	(1,673)
Information, Communication & Technology (ICT)	405	97	(308)
Information, Comm & Technology (Shared Services ICT&HR)	924	536	(388)
Section 106 Funded Schemes	196	172	(24)
Corporate / Service Project Management	552	552	0
Property Investment Board	19,286	10,014	(9,272)
Total	48,725	33,027	(15,698)

The Council planned to complete schemes valued at £48.725m in 2016/17. The Council completed and funded £33.027m worth of work, £12.053m of which was funded from capital receipts, £5.799m from government grants and third party contributions, £0.160m from the Local Enterprise

NARRATIVE STATEMENT

Partnership loan, £14.622m from internal borrowing and £0.392m 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 acquisition of two investment properties namely Marriott House and Parkhouse Interchange (£10.014m), the continuing development of Watford Business Park (£0.258m), major schemes relating to Watford Riverwell (formerly Watford Health Campus) and Cassiobury Park (£11.626m and £4.672m respectively) as well as leisure and community projects including Watford Hurling Club, our two Adventure Playgrounds and expenditure relating to Allotments (£0.925m, £0.921m and £1.038m respectively). Capital investment generating better returns and investment within the borough itself continues to be a priority of the Council.

Future Capital Expenditure and its Funding

The Council's 2017/18 Original Budget was set at £24.668m of which £11.357m is to be funded from capital receipts, £0.400m from government grants, £8.217m from internal borrowing and £4.694m from Earmarked Reserves.

Borrowing Facilities and Capital Borrowing

The Council has approved the ability to borrow up to £20m to facilitate regeneration of the borough including the Watford Riverwell (formerly the Health Campus) project and 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. At 31 March 2017, the Council borrowed;

* £6m of Growing Places funding from the Local Enterprise Partnership (LEP) to fund investment in Watford Riverwell asll 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 2017 of £63.068m. 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 28 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 £2.300m in 2016/17 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 £16.629m (2015/16: £25.133m). The Council also held £13.639m (2015/16: £20.079m) 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.

.....
Joanne Wagstaffe CPFA
Director of Finance
30th June 2017

SCOPE OF RESPONSIBILITY

- 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.
- 2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 3 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.
- 4 This Governance Statement explains how the Council has maintained sound governance during the financial year 2016/17 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 5 The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.
- 6 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 7 The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
- 8 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

THE GOVERNANCE FRAMEWORK

- 9 The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering good governance in local government: Framework – Addendum' include the following:

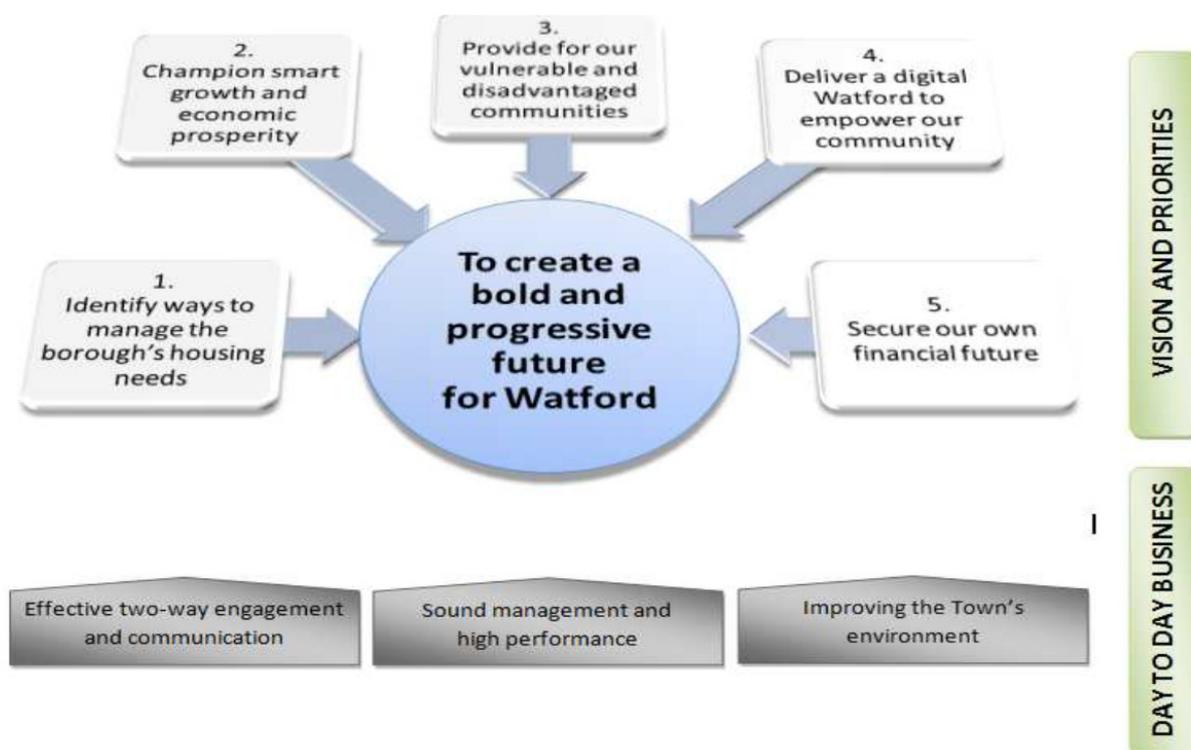
General

- 10 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 six further committees that cover non executive functions, these are Licensing, Development Management, Audit, Functions, Standards and Appointments. 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.
- 11 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.
- 12 The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.
- 13 The Council has an approved Local Code of Governance, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.
- 14 The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.

- 15 The Leadership Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
- 16 Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis.

Strategic Aims and Objectives

- 17 The governance framework enables the Council’s key objectives as outlined in the Corporate Plan to be met and these can be summarised as follows:-



VISION:

To create a bold and progressive future for Watford

OUR OBJECTIVES:

- ☐ Identify ways to manage the borough's housing needs
- ☐ Champion smart growth and economic prosperity
- ☐ Provide for our vulnerable and disadvantaged communities
- ☐ Deliver a digital Watford to empower our community
- ☐ Secure our own financial future

- 18 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.

Decision Making Structures

- 19 At an officer level, the senior management comprises the Managing Director, Deputy Managing Director, shared Director of Finance 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.

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 MTF 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).

Constitution

- 20 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.
- 21 Copies of the Council's Constitution are available to all on the Council's website.
- 22 There are regular meetings of the Council, Cabinet and other committees. 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.
- 23 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.

- 24 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.
- 25 The Constitution sets out an Officers' Code of Conduct, which includes Disclosure of Information; Political Neutrality; Potential Conflict of Interest Situation; Bribery, Corruption and Fraud; Appointments and Other Employment Matters; Outside Commitments; Personal Interests; Equality Issues; Information Security; Criminal Offences; Whistle blowing and Breaches of the Code of Conduct.
- 26 The scrutiny function within a local authority provides a necessary check upon the role of Cabinet 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.
- 27 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.

28 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

29 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.

30 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.

Data Quality and Risk Management

31 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.

32 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 2016 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.

33 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.

- 34 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 continued need to ensure an effective risk identification process occurs where the Council has outsourced the provision of services to a private sector partner.

Shared Services with Three Rivers District Council

- 35 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.
- 36 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.

Community Engagement

- 37 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.
- 38 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.

- 39 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'.
- 40 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.

REVIEW OF EFFECTIVENESS

- 41 In accordance with recent external audit guidance, the review of the effectiveness of the governance framework will focus upon significant weaknesses and the 'big picture'. If issues have not been highlighted then that is because current governance arrangements have proved fit for purpose.
- 42 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 Annual Report of the Head of Assurance for the Shared Internal Audit Service 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.

The Council

- 43 The full Council comprises 36 Members and an Elected Mayor. The main roles are –
- To set Watford Borough Council's Budget and Policy Framework;
 - To receive a report from the Mayor, which Councillors can then ask the questions related to the report;
- 44 The Council met four times during 2016/17 and agendas, reports and minutes are available on the Council's website.

Cabinet

- 45 Cabinet comprises the Mayor and five members and makes decisions which are in line with the Council's overall policies and Budget. It is chaired by the Mayor and includes the Portfolio Holders appointed by her.
- 46 Each Member of Cabinet has responsibility for a range of Council functions, known as a portfolio and each portfolio-holder is required to work closely with Directors and Heads of Service and develop an in-depth knowledge of their portfolio area.
- 47 The dates of all cabinet meetings are pre-published and all decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded. Agendas, reports and minutes of the meetings are available on the Council's website.
- 48 Cabinet met nine times during 2016/17.

The Review Committees

- 49 The Council has two review committees, Overview and Scrutiny Committee and Outsourced Services Scrutiny Panel whose role is to scrutinise the decisions and performance of Cabinet and the Council as a whole.
- 50 Overview and Scrutiny Committee comprising nine members, is the over-arching scrutiny committee for Watford Borough Council. Its work includes:
- Reviewing called in Executive decisions made by Cabinet, Portfolio Holders and Officers;
 - Reviewing the Council's performance measures;
 - Monitoring the Executive decisions taken and the key decisions to be taken by Cabinet, Portfolio Holders and Officers;
 - Monitoring the progress of recommendations from previous scrutiny reviews;
 - Setting up Task Groups to review suggested topics for scrutiny;
 - Monitoring the progress of Task Groups and agrees the final reports;
 - Setting a rolling scrutiny work programme.
- 51 The committee met seven times in 2016/17.
- 52 Outsourced Services Scrutiny Panel whose role is to scrutinise and monitor the performance of outsourced services, comprises seven members and met six times during 2016/17.

Member Panels

- 53 There have been a number of cross-party Member Panels and Task Groups to review and monitor

Standards Committee

- 54 The Standards Committee is set up as and when required to consider matters of member conduct.
- 55 There were no meetings of this committee during 2016/17.

Member Allowances

- 56 Members Allowances were reviewed in 2014 by an Independent Remuneration Panel, which was made up of four independent members. The report and recommendations of the Independent Remuneration Panel was approved by the Full Council as part of the Budget Council meeting, details of which are available on the Council's website. The Panel did not recommend any increase in the allowances.
- 57 The Independent Remuneration Panel now sits on a quadrennial basis, and is therefore next due to meet in 2018.

Senior Management

- 58 There are three Council officers who have statutory appointments - the Managing Director's role as the Head of Paid Service, the Director of Finance's role as the Section 151 Officer and the Head of Democracy & Governance as the Monitoring Officer.
- 59 Leadership Team comprises the three statutory appointments above, plus the following officers: Deputy Managing Director - Place Shaping and Corporate Performance, Director of Finance, Head of Community and Environmental Services, Head of Corporate Strategy & Communications, Head of Service Transformation, Head of Human Resources, Head of Finance and Head of Revenues and Benefits. Leadership Team meet every two weeks.
- 60 There was a change to the Council's senior management structure, both in year and at the start of the following year (2017/18), although it is too early to comment on the working arrangements.

Performance Management

- 61 Performance management follows 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.

62 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.

Procurement

63 The Council aims to use its resources efficiently, effectively and economically.

64 The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes Contract Procedure Rules and a Contract Management Toolkit. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

The Audit Committee

65 The Audit Committee has comprised five members and met four times during 2016/17.

66 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 Assurance for 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.

Internal Audit

67 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment - this comprises the systems of governance, internal control and risk management - by evaluating its effectiveness in achieving the organisation's objectives.

68 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. The audit plan is approved by Audit Committee in March of the preceeding year. 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.

- 69 In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the Audit Committee (at its meeting in June 2017), which:
- included an opinion on the overall adequacy and effectiveness of the Council's internal control environment
 - disclosed any qualifications to that opinion, together with any reasons for the qualification
 - drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.
- 70 The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2016/17 this Report includes the following statements:
- 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 on the work undertaken by the Council and reported in its Annual Governance Statement for 2016/17.
 - A substantial assurance opinion is given 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. There are no qualifications to this assurance.

The Council's External Auditors

- 71 External auditors, Ernst & Young, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and the periodic inspection of services such as revenues and benefits. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.
- 72 The Annual Audit Letter 2015/16 was presented to the Audit Committee in December 2016 and the main conclusions for the year were:
- The 2015/16 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council; and
 - The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.
- 73 The Local Government contract for the Council was awarded to EY (Ernst Young) following re-tendering by the Audit Commission ahead of its abolition in March 2015. The contract is effective from 1 April 2015 and covers a period of two years which was subsequently extended by a year to cover 2017/18.

SIGNIFICANT GOVERNANCE ISSUES

74 The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No new significant governance issues were identified in 2016/17. Appendix 2 details the two outstanding matters brought forward from 2015/16 and shows the latest management actions to resolve the issues.

Certification Statement from the Elected Mayor and the Managing Director

75 We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.

Signed
Mayor

Date:

Date:

Signed
Managing Director

EXPLANATION OF CORE FINANCIAL STATEMENTS

Statement of Movement in Reserves (Pages 23 - 27)

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.

Expenditure and Funding Analysis (Pages 28)

This is a new statement introduced to the published accounts for the first time in 2016/17 adopting new reporting and disclosure requirements of the CIPFA Code of Practice. Its introduction follows a formal consultation and review conducted by CIPFA and CIPFA/LASAAC in 2015, the outcomes of which were published in a document called "Understanding Local Authority Financial Statements" (previously How to Tell the Story).

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (that is funding from government grants, rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure, accounted for under generally accepted accounting practices, is presented more fully in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement (Page 29)

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 30)

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'.

EXPLANATION OF CORE FINANCIAL STATEMENTS

Cash Flow Statement (Page 31)

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

	Note	Fund Balance £000	Earmarked Reserves £000	Receipts Reserve £000	Grants Unapplied £000	Usable Reserves £000	Unusable Reserves £000	Authority Reserves £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	CIES	(19,180)	0	0	0	(19,180)	0	(19,180)
Other Comprehensive Expenditure and (Income)	CIES	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	17a	(5,920)	0	0	0	(5,920)	5,920	0
Revaluation Losses on Property, Plant and Equipment	31b	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	30e	116	0	0	1,624	1,740	(1,740)	0
Revenue expenditure funded from capital under statute	20	(1,350)	0	0	0	(1,350)	1,350	0
Minimum Revenue Provision	31b	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	30b	0	0	4,022	0	4,022	(4,022)	0
Proceeds from sale of long-term assets	30b	1,023	0	(1,023)	0	0	0	0
Unattached capital receipts	30b+e	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	31d+e	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	31c	(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		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	31f	3,246	0	0	0	3,246	(3,246)	0
Reversal of items relating to retirement benefits debited or credited to the CIES	31f	(3,755)	0	0	0	(3,755)	3,755	0
Adjustments primarily involving the Financial Instruments Adjustment Account:								
relating to soft loans		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)

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STATEMENT OF MOVEMENT IN RESERVES

	Note	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	30c	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
LA 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	600	0	0	600	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	(1,291)	0	0	604	(604)	0
(Increase) / Decrease in 2015/16		0	(1,291)	(5,110)	(2,594)	(8,994)	(19,027)	(28,621)
Balance as at 31 March 2016		(1,350)	(23,182)	(17,486)	(2,594)	(44,612)	(144,266)	(188,878)

STATEMENT OF MOVEMENT IN RESERVES

		General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016		(1,350)	(23,182)	(17,486)	(2,590)	(44,607)	(144,266)	(188,878)
Movement in Reserves during 2016/17								
(Surplus) or deficit on provision of services	CIES	(9,157)	0	0	0	(9,157)	0	(9,157)
Other Comprehensive Expenditure and (Income)	CIES	0	0	0	0	0	(5,812)	(5,812)
Total Comprehensive Expenditure and Income		(9,157)	0	0	0	(9,157)	(5,812)	(14,969)
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	17a	(6,122)	0	0	0	(6,122)	6,122	0
Revaluation Losses on Property, Plant and Equipment	31b	4,728	0	0	0	4,728	(4,728)	0
Amortisation of intangible assets		(17)	0	0	0	(17)	17	0
Amounts of non-current assets w/o on disposal/sale part of the Gain/Loss to the CIES		(648)	0	0	0	(648)	648	0
Capital grants & contributions applied	30e		0	0	5,799	5,799	(5,799)	0
Revenue expenditure funded from capital under statute	20	(1,624)	0	0	0	(1,624)	1,624	0
Minimum Revenue Provision	31b	0	0	0	0	0	0	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	30b	0	0	12,411		12,411	(12,411)	0
Proceeds from sale of long-term assets	30b	1,527	0	(1,527)	0	0	0	0
Unattached capital receipts	30b+e	10,524	0	(5,645)	(4,879)	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			0	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 for the year in accordance with statutory requirements	31c	8,667	0	0	0	8,667	(8,667)	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		(20)	0	0	0	(20)	20	0
Adjustments primarily involving the Pensions Reserve:								
Employer's pension contributions and direct payments to pensioners payable in year	31f	3,316	0	0	0	3,316	(3,316)	0
Reversal of items relating to retirement benefits debited or credited to the CIES	31f	(3,550)	0	0	0	(3,550)	3,550	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		(280)	0	281	0	1	0	0
Net (increase) / decrease before transfers to earmarked reserves		7,344	0	5,520	920	13,784	(28,752)	(14,969)

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STATEMENT OF MOVEMENT IN RESERVES

	Note	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	30c	0	0	0	0	0	0	0
Budget Carry Forward Reserve	"	(409)	409	0	0	0	0	0
Capital Fund Reserve (including LEP)	"	0	160	0	0	160	(160)	0
Car Parking Zones Reserve	"	141	(132)	0	0	9	(9)	0
Charter Place Tenants Reserve	"	0	0	0	0	0	0	0
Climate Change Reserve	"	0	0	0	0	0	0	0
Crematorium	"	284	(284)	0	0	0	0	0
Development Sites Decontamination Reserve	"	0	0	0	0	0	0	0
Economic Impact Reserve	"	(3,299)	3,299	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
LA 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
Multi-Storey Car Park Repair Reserve	"	0	0	0	0	0	0	0
New Homes Bonus Reserve	"	0	0	0	0	0	0	0
NNDR Collection Fund Reserve	"	(4,061)	4,061	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	50	0	0	50	(50)	0
Performance Reward Grant Reserve (Revenue)	"	0	0	0	0	0	0	0
Projects and Programme Management	"	(60)	169	0	0	109	(109)	0
Rent Deposit Guarantee Scheme Reserve	"	0	0	0	0	0	0	0
Vehicle Replacement Reserve	"	0	128	0	0	128	(128)	0
Weekly Collection Support Grant Reserve	"	0	101	0	0	101	(101)	0
Transfers to/from earmarked reserves		(7,404)	7,961	0	0	557	(557)	0
(Increase) / Decrease in 2016/17		(62)	7,961	5,520	920	14,341	(29,309)	(14,969)
Balance as at 31 March 2017		(1,412)	(15,221)	(11,966)	(1,670)	(30,267)	(173,576)	(203,847)

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.

EXPENDITURE AND FUNDING ANALYSIS

2015-16				2016-17		
Net Expenditure Chargeable to General Fund Balances	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund Balances	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
7,231	1,968	9,199	Corp Strategy & Client Service	6,561	2,607	9,168
5,857	1,185	7,042	Community Services	5,095	1,011	6,106
1,694	345	2,039	Democracy & Governance	3,410	(107)	3,303
1,872	2,904	4,776	Deputy MD	(5,160)	9,115	3,955
964	21	985	Managing Director	592	18	610
(20)	20	0	Human Resources	577	43	620
3,290	1,573	4,863	Strategic Finance	4,931	1,438	6,369
20,888	8,016	28,904	Net Cost of Services	16,006	14,125	30,131
(22,785)	(25,300)	(48,085)	Other Income and Expenditure	(8,664)	(30,624)	(39,288)
1,897			Transfer (from) \ to reserves	(7,404)		
0	(17,284)	(19,181)	(Surplus) or Deficit on Provision of Services	(62)	(16,499)	(9,157)
(1,350)			Opening General Fund Balance	(1,350)		
0			(Surplus) or Deficit on Provision of Services	(62)		
(1,350)			Closing General Fund Balance	(1,412)		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16				Note	2016/17		
GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000			GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
11,126	(1,927)	9,199	Services		11,095	(1,927)	9,168
9,613	(2,570)	7,043	Corp Strategy & Client Service		8,731	(2,625)	6,106
2,371	(331)	2,040	Community Services		3,634	(331)	3,303
9,314	(4,538)	4,776	Democracy & Governance		8,517	(4,562)	3,955
985	0	985	Deputy MD		610	0	610
49	(49)	0	Managing Director		727	(107)	620
44,295	(39,431)	4,864	Human Resources		45,800	(39,431)	6,369
77,753	(48,846)	28,907	Strategic Finance		79,114	(48,983)	30,131
			Cost of Services				
		(958)	Other Operating (Income)/Expenditure				(879)
		(5,960)	(Gains)/Losses on Disposal of Non-current Assets				(9,915)
		(3,044)	Unattached Capital Receipts				(2,133)
			Other Operating (Income)/Expenditure				
			Financing and Investment (Income)/Expenditure				
		32	Interest Payable and Similar Charges				29
		2,024	Net Interest on the Net Defined Benefit Liability/(Asset)				1,918
		(379)	Interest Receivable and Similar Income				(579)
		(5,423)	(Income)/Exp. relation to Investment Properties				(5,519)
		(14,166)	Investment Properties- Changes in their Fair Value	19a			(4,727)
		49	Other Investment (Income)				0
			Taxation and Non-Specific Grant (Income)				
		(7,795)	Council Tax Income				(8,167)
		(2,578)	Non-domestic Rates Income and Expenditure				(3,199)
		(7,070)	Non-ringfenced Government Grants	9			(5,441)
		(2,817)	Capital Grants & Contributions	9			(676)
		(19,177)	(Surplus) or Deficit on Provision of Services	8			(9,157)
		(87)	(Surplus) / Deficit on Revaluation of PPE assets				(11,334)
		(9,238)	Remeasurement of the Net Defined Liability/(Asset)	28			5,522
		(9,325)	Other Comprehensive (Income) and Expenditure				(5,812)
		(28,502)	Total Comprehensive (Income) and Expenditure				(14,969)

BALANCE SHEET

31 March 2016 Restated			31 March 2017		
£000	£000		Note	£000	£000
		Property, Plant and Equipment:			
65,216		Land and Buildings	17	75,817	
7,255		Vehicles, Plant and Equipment	17	11,777	
1,597		Infrastructure Assets	17	1,056	
2,964		Assets Under Construction	17	4,447	
1,945		Heritage Assets	18	1,945	
120,033		Investment Properties	19a	142,569	
9,300		Surplus Assets	19a	300	
197		Long-term Investments	21	7,147	
8,244		Long Term Debtors	21	12,739	
	216,751	Long Term Assets			257,797
0		Assets Held for Sale		0	
15		Inventories		16	
9,617		Short Term Debtors	22	10,681	
45,108		Short Term Investments	32	25,017	
5,708		Cash and Cash Equivalents	23	9,483	
	60,448	Current Assets			45,197
(13,393)		Short Term Creditors	25	(24,382)	
0		Short Term Borrowing		0	
	(13,393)	Current Liabilities			(24,382)
(380)		Long-term Creditors- Grants receipts in adv. and Section 106	26	0	
62		Long-term Creditors- Deferred Liabilities	26	72	
(7,500)		Long-term Creditors- Loans	26	(7,500)	
(8,600)		Provisions	27	(4,271)	
(57,310)		Liability related to Defined Benefit Pension Scheme	28	(63,068)	
	(73,728)	Long Term Liabilities			(74,767)
	190,078	Net Assets			203,845
(17,486)		Capital Receipts Reserve	30b	(11,966)	
(23,183)		Earmarked Reserves	30c	(15,221)	
(1,350)		General Fund Balance	30d	(1,412)	
(2,594)		Capital Grants Unapplied	30a	(1,670)	
	(44,612)	Usable Reserves			(30,269)
94		Accumulated Absences Reserve		114	
(171,438)		Capital Adjustment Account	31b	(185,766)	
4,697		Collection Fund Adjustment Account	31c	(3,970)	
1,633		Deferred Capital Payments	31d	123	
(2,323)		Deferred Capital Receipts	31e	(2,348)	
76		Financial Instruments Adjustment Account		76	
57,310		Pensions Reserve	31f	63,068	
(34,315)		Revaluation Reserve	31g	(44,873)	
	(144,266)	Unusable Reserves			(173,576)
	(188,878)	Total Reserves			(203,845)

Signed
Joanne Wagstaffe CPFA
Director of Finance

Date: 30 June 2017

Signed
Derek Scudder
Chairman of Audit Committee

Date: 30 June 2017

CASH FLOW STATEMENT

2015/16			Note	2016/17	
£000	£000			£000	£000
19,177		Net surplus or (deficit) on the provision of services	CIES	9,157	
(6,654)		Adjustments to net surplus or deficit on the provision of services for non cash movements	24a	10,464	
(12,338)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	24a	(13,685)	
	185	Net cash flows from Operating Activities			5,936
(8,177)		Investing Activities	24b	1,537	
5,702		Financing Activities	24c	(3,694)	
	(2,290)	Net increase/(decrease) in cash and cash equivalents			3,779
	7,994	Cash and Cash equivalents at the beginning of the reporting period			5,704
	5,704	Cash and Cash equivalents at the end of the reporting period	23		9,483

1 Accounting Policies - Single Entity and Group Accounts

1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP)(SERCOP does not prescribe guidance on the Statement of Accounts. This is provided by the Code.), 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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 not charged to those service segments that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP).

NOTES TO THE CORE FINANCIAL STATEMENTS

But the costs of overheads and support services are accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

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 valuations have undertaken a market review of individual asset types within the Council's portfolio at year end to identify any material changes to the fair value of assets. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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. One Watford Councillor 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 2016/17 Code. The 2016/17 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 2016/17 Code. The 2016/17 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 2016/17 Code. The 2016/17 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.

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

- Amendment to the reporting of pension fund scheme transaction costs.

The Council does not anticipate that the changes above will have a material impact on the financial information provided its financial statements. The Code requires implementation from 1 April 2017 and there is therefore no impact on the Statement of Accounts for 2016-17

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 is no prior period adjustment done in 2016/17

5 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 approved. 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 are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the note of the nature of the events and their estimated financial effect.

Events taking place after the date of approval are not reflected in the Statement of 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 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:-

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual assets. The current economic climate makes it possible that the Council will be unable to sustain its current spending on repairs and maintenance, bringing in to doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of these individual assumptions can have a major impact on the pension liability calculation. During 2016/17, The Council's actuaries advised that the net pensions liability had increased by £5,758k as a result of estimates and assumptions being updated.
Arrears	At 31 March 2017, the Council had a short term sundry debtor balance of £16,625k. A review of significant balances suggested a provision of £5,944k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 26.	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be set aside as a bad debt provision or additional bad debt write offs.
Non Domestic Rates Appeals provision	The provision for NDR Appeals includes an assessment of the appeals lodged to 31st March 2017, and an estimate of the appeals not yet lodged.	If NDR appeals were to significantly increase, the provision would have to be reassessed and increased. The increased liability would be shared between the Council, Central Government and County Council.
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.</p> <p>Where Level 1 inputs are not available, the authority employs RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value.</p> <p>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.</p> <p>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>

NOTES TO THE CORE FINANCIAL STATEMENTS

7 Note to the Expenditure and Funding Analysis

2015/16 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Corp Strategy & Client Service	1,876	91	1	1,968
Community Services	869	320	(4)	1,185
Democracy & Governance	292	55	(2)	345
Deputy MD	2,721	180	3	2,904
Managing Director	0	21	0	21
Human Resources	22	1	(3)	20
Strategic Finance	1,512	61	0	1,573
Net Cost of Services	7,292	729	(5)	8,016
Other income and expenditure from the funding analysis				(25,300)
Difference between General Fund (surplus) \deficit and				(17,284)

2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Corp Strategy & Client Service	2,636	61	(90)	2,607
Community Services	939	234	(162)	1,011
Democracy & Governance	363	104	(574)	(107)
Deputy MD	2,896	168	6,051	9,115
Managing Director	0	16	2	18
Human Resources	0	40	3	43
Strategic Finance	929	9	500	1,438
Net Cost of Services	7,763	632	5,730	14,125
Other income and expenditure from the funding analysis				(30,624)
Difference between General Fund (surplus) \deficit and				(16,499)

8 Expenditure and Income Analysed by Nature

The council's expenditure and income by nature is analysed as follows:

2015/16		2016/17
Total £000		Total £000
(15,545)	Fees and Charges	(16,353)
(373)	Interest and Investment Income	(551)
(7,795)	Income From Council Tax	(8,167)
(5,960)	Other Income	(9,915)
(57,143)	Government Grants and Contributions	(51,808)
(789)	Support Services Recharge	(552)
(87,605)	Total Income	(87,346)
13,047	Employee Expenses	14,242
61,187	Other Service Expenditure	59,873
(6,873)	Depreciation, Amortisation and Impairment	(5,964)
0	Interest Payments	0
(958)	Gains / Losses on Fixed Assets	8,120
2,024	Pensions Adjustments	1,918
68,427	Total Expenditure	78,189
(19,178)	(Surplus)/Deficit on Provision of Services (I&E)	(9,157)

NOTES TO THE CORE FINANCIAL STATEMENTS

9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:-

2015/16 £000		2016/17 £000
	Credited To Taxation and Non-Specific Grant Income	
(88)	Council Tax Freeze Grant	
0	Council Tax Transition Grant	(93)
(3,288)	New Homes Bonus	(3,515)
(58)	Non Specific Grant	(60)
(2,166)	Revenue Support Grant	(1,311)
(2,816)	Section 106 Contributions	(676)
(1,470)	Other	(462)
(9,886)		(6,117)
	Credited To Services	
(5)	Arts Council - Lottery	(45)
(15)	Building Safer Communities	(25)
0	Capital Funding	0
(13)	CCTV	(28)
(24)	Cemeteries	(24)
(447)	Housing & Council Tax Benefit Administration Grant	(362)
(99)	DCLG Local Council Council Tax Scheme	(109)
0	Disabled Facility Grant	0
(39,911)	DWP Housing Benefit Grant	(38,626)
(53)	DWP other	(59)
(152)	Elections	(206)
(1)	Environmental Health	(34)
0	Herts County Council	0
(3)	Housing - Homelessness	(5)
0	Housing Refugees	(77)
0	Land Charges	(6)
(5)	Museum	0
(48)	New Burdens	0
(172)	NNDR - Cost of Collection Grant	0
(1)	Other Grants	0
0	Public Health & Nuisance	(67)
0	Performance and Engagement	0
(15)	Planning	(27)
0	Little Cassiobury	(55)
0	Section 106 Contributions	
(53)	Sports Development	(85)
0	Street Cleansing	
(23)	Taxi Marshall Scheme	(39)
(23)	Transport	(9)
(661)	Waste Management	(475)
(41,723)		(40,363)
(51,609)	Total	(46,480)

NOTES TO THE CORE FINANCIAL STATEMENTS

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, for 2015/16 and 2016/17 Ernst & Young.

2015/16 £000		2016/17 £000
52	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	59
8	Fees payable for other services provided by external auditors during the year.	24
60	Total	83

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 £481,521 (2015/16: £451,979).

2015/16 £000		2016/17 £000
0	Salaries	0
452	Allowances	482
0	Expenses (travel & subsistence)	0
452	Total	482

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:-

2015/16 No. of employees	Remuneration Band		2016/17 No. of employees
5	£50,000	- £54,999	10
0	£55,000	- £59,999	6
0	£60,000	- £64,999	5
0	£65,000	- £69,999	1
6	£70,000	- £74,999	1
0	£75,000	- £79,999	0
1	£80,000	- £84,999	4
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	0
0	£140,000	- £144,999	0
0	£145,000	- £149,999	0
0	£150,000	- £154,999	0
0	£155,000	- £159,999	1
13	Total		28

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17 Post	Salary Including Fees and Allowances £	Expenses Allowances £	Compens- ation For Loss of Office £	Pension Contrib- ution £	Total Remuner- ation £
Managing Director	155,724	0	0	21,913	177,637
Head of Legal & Property Services	84,485	0	0	11,945	96,430
Head of Environmental Services	60,188	0	0	0	60,188
Head of Human Resources	81,579	0	0	11,549	93,128
Deputy Managing Director	34,646	0	0	4,878	39,524
Head of Community Services	81,588	0	0	11,548	93,135
Head of Planning	34,475	0	0	4,876	39,351
Total	532,685	0	0	66,709	599,393

There were no bonuses given during either period.

14 Termination Benefits

The Council terminated the contracts of 12 employees in 2016/17, incurring liabilities of £187,958 (2015/16: £73060). Of this total, £187,958 (2015/16: £73,060) was payable in the form of compensation for loss of office and none (2015/16: nil payment) 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:-

2015/16			2016/17					
Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages	Cost Band			Total number of comp redundancies	Total number of other departures	Total cost £ of exit packages
0	1	6,985	£0	-	£20,000	8	2	83,787
0	1	26,000	£20,001	-	£40,000	1	0	32,165
1	0	40,075	£40,001	-	£60,000	0	0	0
0	0	0	£60,001	-	£80,000	1	0	72,006
0	0	0	£80,001	-	£100,000	0	0	0
0	0	0	£100,001	-	£150,000	0	0	0
1	2	73,060	Total			10	2	187,958

The total cost of £187,958 in the table above includes £15,256 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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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		
Karen Collett	Councillor	Representative	West Herts Crematorium Joint Committee	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 2016/17, Watford received a contribution of £50,000 (2015/16 £50,000)
Manny Lewis	Managing Director	Clerk		
Joanne Wagstaffe	Director of Finance	Treasurer		
Joanne Wagstaffe	Director of Finance	Director	Hart Homes (Watford) Limited	Council has a 50% stake.
Alan Gough	Head of Community and Customer Services	Director	Watford Commercial Services Limited	Wholly owned subsidiary of Council
		Director		
Nick Fenwick	Deputy Managing Director	Director		
Bob Watson	Head of Finance (shared services)	Director	Hart Homes Development (Watford) LLP	A limited liability partnership between Watford Commercial Services Limited and Clarendon Living Limited
		Director		
Nick Fenwick	Deputy Managing Director	Director	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. The Council has made a £6m interest free loan and invested a further £6.95m in 2016-17.
		Board Member		
Jane Custance	Head of Regen & Dev	Board Member		
Manny Lewis	Managing Director	Board Member		
Joanne Wagstaffe	Director of Finance	Board Member		
Stephen Cavinder	Councillor	Trustee	Citizen's Advice Bureau Watford	Council has provided funding in excess of £204,190 plus the free use of premises at St Mary's Church Yard, £45,830 in 2016-17
Aga Dychton	Councillor	Representative	Wellspring Church (Watford)	Occasional transactions in the normal course of business
Stephen Bolton	Councillor	Representative		
Rabi Martins	Councillor	Representative	Hertfordshire Police Crime Panel	No transactions identified between Council and Entity
		Panel Member	Central Ward Community Fund	
		Past President	Watford Rotary Club	
		Director	St Johns Church School	
		Vice President	Watford North Scouts	
Kareen Hastrick	Councillor	Representative	HCC Health Scrutiny Committee	Occasional transactions in the normal course of business

NOTES TO THE CORE FINANCIAL STATEMENTS

Mo Mills	Councillor	Trustee	West Watford Community Association	West Watford Community Association received a management fee from Watford as well as rent support.
Derek Scudder	Councillor	Declaration of Interest	Watford Workshop	Small grant award paid in 2016/17 as well as providing rent free accommodation
			Bedford Morrison Cordey Almshouse Charity	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
			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	HCS Integrated Care Team	Employed since September 2015 and funded by Herts County Council. No transactions identified between Council and Entity
Derek Scudder	Councillor	Representative	West Herts Crematorium Scrutiny Committee	Occasional transactions in the normal course of business
		Declaration of Interest	West Herts Golf Club Consultative Committee	Rent received from West Herts Golf Club of £70,000 per annum (2015/16 £70,000) as well as occasional transactions in the normal course of business
Darren Walford	Councillor	Appointed Member		
Peter Taylor	Deputy Mayor	Appointed Member	Hertfordshire Waste Management Group	Occasional transactions in the normal course of business
		Representative		
Mark Watkin	Councillor	Governor	Chessbrook Education Support Centre	Occasional transactions in the normal course of business
		Governor	Nascot Wood Junior School	Occasional transactions in the normal course of business
		Councillor	Hertfordshire County Council	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 28 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 £4.047m in 2016/17 (£3.73m 2015/16).

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	Services	2016/17		
		Provided by WBC £000	Provided by TRDC £000	Total Net Cost £000
1,551	Local Tax Collection	0	1,522	1,522
1,750	Housing Benefits	0	1,805	1,805
1,100	Finance	0	1,292	1,292
650	HR	668	0	668
1,159	ICT	1,434	0	1,434
6,211	Net Cost of Services / Operating Expenditure	2,102	4,619	6,721
(3,730)	Paid by Watford Borough Council	(1,315)	(2,732)	(4,047)
(2,481)	Paid by Three Rivers District Council	(787)	(1,887)	(2,674)
0	(Surplus) / Deficit for the year	0	0	0

17 Property, Plant and Equipment

a) Movement of Property, Plant and Equipment

2015/16	Assets Under Constr'n £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Total £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)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0
Depreciation written out to the surplus / deficit on the provision of services	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
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

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Assets Under Constr'n	Land & Buildings	Vehicles, Plant & Equipment	Infra- structure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2016	2,964	67,596	21,222	3,063	94,845
Additions - Capital Programme	1,183	1,899	7,231	25	10,338
Additions - Finance Leases	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	9,940	0	0	9,940
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	(31)	0	0	(31)
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Assets reclassified	300	240	0	0	540
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 2017	4,447	79,644	28,453	3,088	115,632
Accumulated Depreciation & Impairment					
At 1 April 2016	0	(2,380)	(13,967)	(1,466)	(17,813)
Depreciation Charge	0	(2,846)	(2,709)	(566)	(6,121)
	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	1,399	0	0	1,399
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
Assets reclassified					
Other movements in depreciation and impairment	0	0	0	0	0
At 31 March 2017	0	(3,827)	(16,676)	(2,032)	(22,535)
Balance Sheet Value at 31 March 2017	4,447	75,817	11,777	1,056	93,097
Balance Sheet Value at 1 April 2016	2,964	65,216	7,255	1,597	77,032

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 & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure £000	Total £000
Carried at historical cost	0	28,453	3,088	31,541
Valued at current value as at:				
31/03/2016	54,403	0	0	54,403
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	79,644	28,453	3,088	111,185

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

18 Heritage Assets

The Council's Heritage Assets are reported in the Balance Sheet at insurance valuations which are based on market values. These insurance values are reviewed and updated 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.

2015/16	Musical Instrument £000	Statues, Sculptures & War Memorials £000	Works of Art £000	Civic Regalia £000	Total £000
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
Depreciation					0
At 31 March 2016	400	645	700	200	1,945

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Musical Instrument £000	Statues, Sculptures & War Memorials £000	Works of Art £000	Civic Regalia £000	Total £000
Cost or valuation					
At 1 April 2016	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
Depreciation	0	0	0	0	0
At 31 March 2017	400	645	700	200	1,945

19 Investment Properties and Surplus Assets

a) Movement of Investment Properties and Surplus Assets

2015/16	Investm't Properties £000	Surplus Assets £000	Total £000
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
Other movements	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

2016/17	Investm't Properties £000	Surplus Assets £000	Total £000
At 1 April 2016	120,033	9,300	129,333
Additions	9,998	0	9,998
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	13,727	(9,000)	4,727
Derecognition - Disposals	(648)	0	(648)
Derecognition - Other	0	0	0
Assets reclassified	(541)	0	(541)
Other movements in cost or valuation	0	0	0
At 31 March 2017	142,569	300	142,869
Balance Sheet Value at 31 March 2017	142,569	300	142,869
Balance Sheet Value at 1 April 2016	120,033	9,300	129,333

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).

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Bilfinger GVA, 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 2017 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 Bilfinger GVA, 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.

2015/16 £000		2016/17 £000
(6,969)	Rental income from Investment Property	(6,917)
1,548	Direct operating expenses arising from Investment properties	1,399
(5,421)	Net (gain) / loss	(5,518)

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.

20 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.

2015/16 £000		2016/17 £000
2,602	Opening Capital Financing Requirement	2,557
	Capital Investment	
6,370	Property, Plant and Equipment	10,338
6	Investment Properties	9,998
23	Intangible Assets	17
1,350	Revenue Expenditure Funded from Capital Under Statute	1,624
7,749		21,977
	Sources of Finance	
(4,022)	Capital receipts	(12,411)
(1,624)	Government Grants and Other Contributions (including S106)	(5,799)
	Sums set aside from revenue;	
	* Direct revenue contributions	
(764)	Capital Fund Earmarked Reserve	0
0	Development Sites Decontamination Earmarked Reserve	0
0	Weekly Collection Support Grant Earmarked Reserve	0
(1,340)	* Local Enterprise Partnership (LEP)	(1,340)
(44)	MRP from Capital Adjustment Account	0
(7,794)		(19,550)
2,557	Closing Capital Financing Requirement	4,984

NOTES TO THE CORE FINANCIAL STATEMENTS

21 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 16 £000		Net Movem't in year £000	31 Mar 17 £000
	Long Term Debtors		
8	Loan to YMCA	0	8
1,298	Rent to Mortgage	25	1,323
131	Finance Leases as Lessor	0	131
800	Sale of Properties	0	800
7	Charges Registered to Properties	0	7
0	WHC Senior Debts	4,458	4,458
0	Skillmakers Loan	12	12
6,000	Watford Health Campus- Growing Places Fund (interest free loan)	0	6,000
8,244		4,495	12,739
	Long Term Investments		
177	Watford Health Campus LABV	6,950	7,127
20	Municipal Bonds Agency & Local Capital Finance Company	0	20
197		6,950	7,147
8,441	Total	11,445	19,886

22 Debtors - Short Term

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

31 Mar 16 £000		31 Mar 17 £000
3,638	Central Government Bodies	152
1,027	Local Authorities	366
0	NHS	0
0	Public Corporations	0
10,472	Other Entities and Individuals	16,102
112	Payments in Advance	5
15,249		16,625
(5,632)	Less: Provision for Bad Debts / Impairment	(5,944)
9,617	Total	10,681

23 Cash and Cash Equivalents

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

31 Mar 16 £000		31 Mar 17 £000
	Current Assets	
1	Cash held by the Authority	1
5,707	Bank Current Accounts	9,482
0	Short-term Deposits with Building Societies	0
5,708		9,483
	Current Liabilities	
0	Bank overdrafts	0
5,708	Total	9,483

NOTES TO THE CORE FINANCIAL STATEMENTS

24 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:

2015/16			2016/17	
£000	£000		£000	£000
		Note 24a- Operation Activities		
346		Interest received	550	
0		Interest paid	0	
	346			550
5,920		Depreciation	6,122	
2,390		Impairment and downward valuations	9,972	
23		Amortisation	17	
0		Increase/(decrease) in impairment of bad debts	(4,329)	
(8,756)		Increase/(decrease) in creditors	14,073	
5,621		(Increase)/decrease in debtors	(963)	
(5)		(Increase)/decrease in inventories	(1)	
(453)		Movement in pensions liability	234	
(11,394)		Other non-cash items charged to the net surplus/deficit on the provision of services	(14,661)	
	(6,654)			10,464
(10,263)		Proceeds from sale of property, plant, equipment, investment property and intangible assets	(8,426)	
(2,075)		Any other items for which the cash effects are investing or financing cash flows	(5,259)	
	(12,338)			(13,685)
	(18,646)			(2,671)
		Note 24b- Investing Activities		
(6,420)		Purchase of property, plant, equipment, investment property and intangible assets	(20,336)	
(105,730)		Purchase of st and It investments	(96,962)	
10,263		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	8,426	
93,710		Proceeds from st and It investments	110,000	
0		Other receipts from investing activities	409	
	(8,177)			1,537
		Note 24c- Financing Activities		
0		Other receipts from financing activities	(10)	
1,500		Cash receipts of short and long term borrowing	0	
4,202		Other payments for financing activities	(3,684)	
0		Repayments of st and It borrowing	0	
	5,702			(3,694)

25 Creditors - Short Term

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

31 Mar 16		31 Mar 17
£000		£000
(4,574)	Central Government Bodies	(10,325)
(5,302)	Other Local Authorities	(95)
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(3,073)	Other Entities and Individuals	(12,676)
(1,044)	Receipts in Advance	(1,286)
(13,993)	Total	(24,382)

NOTES TO THE CORE FINANCIAL STATEMENTS

26 Creditors - Long Term

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

31 Mar 16 £000		31 Mar 17 £000
62	Deferred Liabilities (obligations under finance leases)	72
0	Government Grants receipts in advance	0
(380)	Section 106 Contributions receipts in advance	0
(7,500)	Loans (Local Authority)	(7,500)
(7,818)	Total	(7,428)

27 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 16 £000		Change £000	Used £000	Unused Reversal £000	Unwinding Discounting £000	31 Mar 17 £000
(97)	Property Searches	0	20	0	0	(77)
(48)	Municipal Mutual Insurance	0	0	0	0	(48)
(74)	Contractual Provision	0	0	0	0	(74)
(8,381)	NDR Appeals	2,255	2,055	0	0	(4,072)
(8,600)	Total	2,255	2,075	0	0	(4,271)

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.

28 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:-

2015/16 £000		2016/17 £000
	Comprehensive Income and Expenditure Statement (CI&ES)	
	Costs of Service	
	<i>Service cost comprising:</i>	
1,695	current service cost	1,632
36	past service cost	0
0	(gain)/loss effects from settlement	0
	<i>Financing and Investment Income and Expenditure</i>	
2,024	Net Interest Expense	1,918
3,755	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,550
	Other Post Employment Benefit Charged to the CI&ES	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
1,741	Return on plan assets	6,213
0	Actuarial gains and losses arising on changes in demographic assumptions	(1,854)
(8,536)	Actuarial gains and losses arising on changes in financial assumptions	25,895
(2,443)	Other	(24,730)
(9,238)	Total Remeasurement recognised in Other CI&ES	5,524
(5,483)	Total Post Employment Benefit Charged to CI&ES	9,074
	Movement in Reserves Statement	
5,483	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(9,074)
3,246	Employers' contributions payable to the scheme	3,316
3,246	Actual amount charged against the General Fund Balance for pensions in the year	3,316

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2015/16 £000		Net Movement in year £000	2016/17 £000
(167,607)	Present value of the defined benefit obligation	(1,001)	(168,608)
110,297	Fair value of plan assets	(4,757)	105,540
(57,310)	Net liability arising from defined benefit obligation	(5,758)	(63,068)

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

Restated as per Actuary report 2015/16 £000		2016/17 £000
110,730	Opening fair value of scheme assets at 1 April	110,297
3,400	Interest income	3,710
	Remeasurement gain/(loss):	
(1,741)	Return on plan assets	(6,213)
3,246	Contributions from employer	3,316
433	Contributions from employees into the scheme	448
(5,771)	Benefits paid	(6,018)
0	Other	0
110,297	Closing fair value of scheme assets at 31 March	105,540

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

2015/16 £000		2016/17 £000
(176,769)	Opening Balance at 1 April	(167,607)
(1,695)	Current service costs	(1,632)
(5,424)	Interest cost	(5,628)
(433)	Contributions from scheme participants	(448)
	Remeasurement (gains) and losses:	
0	Actuarial gains and losses arising from changes in demographic assumptions	1,854
8,536	Actuarial gains and losses arising from changes in financial assumptions	(25,895)
2,443	Other	24,730
(36)	Past service costs	0
0	Losses/(gains) on curtailments	0
5,771	Benefits paid	6,018
(167,607)	Closing Balance at 31 March	(168,608)

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised

2015/16 Quoted active market £000	2015/16 Quoted non- active market £000	2015/16 Total £000		2016/17 Quoted active market £000	2016/17 Quoted non- active market £000	2016/17 Total £000
3,505.9	0.0	3,505.9	Cash and cash equivalents	3,483.0	0.0	3,483.0
			<i>Equity instruments: by industry type</i>			
8,960.2	0.0	8,960.2	Consumer	8,228.7	0.0	8,228.7
8,174.7	0.0	8,174.7	Manufacturing	7,897.6	0.0	7,897.6
1,916.5	0.0	1,916.5	Energy and Utilities	1,901.7	0.0	1,901.7
8,381.6	0.0	8,381.6	Financial Institutions	7,067.5	0.0	7,067.5
1,460.3	0.0	1,460.3	Health and Care	1,429.1	0.0	1,429.1
5,216.3	0.0	5,216.3	Information Technology	5,754.6	0.0	5,754.6
254.3	0.0	254.3	Other	355.4	0.0	355.4
37,869.8	0.0	37,869.8	Sub-total equity & cash / cash equiv.	36,117.6	0.0	36,117.6
			<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	4,926.1	4,926.1	UK Property	0.0	3,415.1	3,415.1
0.0	2,879.1	2,879.1	Overseas Property	0.0	3,955.2	3,955.2
0.0	7,805.2	7,805.2	Sub-total property	0.0	7,370.3	7,370.3
			<i>Private Equity:</i>			
0.0	4,734.3	4,734.3	All	0.0	4,872.6	4,872.6
0.0	4,734.3	4,734.3	Sub-total private equity	0.0	4,872.6	4,872.6
			<i>Other Investment Funds:</i>			
22,389.6	0.0	22,389.6	Equities	22,113.8	0.0	22,113.8
30,201.1	0.0	30,201.1	Bonds	29,072.7	0.0	29,072.7
521.0	0.0	521.0	Commodities	0.0	0.0	0.0
0.0	141.7	141.7	Infrastructure	0.0	239.6	239.6
450.2	6,589.3	7,039.5	Other	407.4	5,555.8	5,963.2
53,561.9	6,731.0	60,292.9	Sub-total other investment funds	51,593.9	5,795.4	57,389.3
			<i>Derivatives:</i>			
0.0	(405.1)	(405.1)	Foreign exchange	0.0	(209.8)	(209.8)
0.0	(405.1)	(405.1)	Sub-total derivatives	0.0	(209.8)	(209.8)
91,431.7	18,865.4	110,297.1	Total Assets	87,711.5	17,828.5	105,540.0

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 2016.

NOTES TO THE CORE FINANCIAL STATEMENTS

The significant assumptions used by the actuary have been:

31 Mar 16		31 Mar 17
1.50%	Total Returns from 1 April 2015 to 31 March 2016	18.10%
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
22.3	• Men	22.5
24.5	• Women	24.9
	Longevity at 65 for future pensioners	
24.3	• Men	24.1
26.7	• Women	26.7
3.6%	Rate of increase in salaries	2.5%
2.1%	Rate of increase in pensions	2.4%
3.4%	Rate for discounting scheme liabilities	2.5%

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.

	2016/17 £000
Longevity (increase in 1 year)	3 - 5%
Rate of increase in salaries (increase by 0.5%)	1,162
Rate of increase in pensions (increase by 0.5%)	12,620
Rate for discounting scheme liabilities (decrease by 0.5%)	13,921
	27,703

Information about the Defined benefit obligation

	Liability Split	Weighted Average Duration
Active members	19.2%	23.4
Deferred members	30.7%	20.5
Pensioner members	50.1%	10.8
Total	100.0%	15.2

Funding levels are monitored on an annual basis, and the next triennial review is 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 £3.481m.

NOTES TO THE CORE FINANCIAL STATEMENTS

29 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.

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, £0.307million was received during 2016/17 (2015/16: £0.305 million) leaving a contingent asset of approximately £2.332million (2015/16: £2.640 million) which will be received in the future.

30 Usable Reserves

a) Movement in Usable Reserves

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

Balance at 31 Mar 16 £000	Reserve	Net Movem't in year £000	Balance at 31 Mar 17 £000	Further Detail Note
(17,486)	Capital Receipts Reserve	5,520	(11,966)	30b
(23,183)	Earmarked Reserves	7,966	(15,217)	30c
(1,350)	General Fund Balance	(62)	(1,412)	30d
(2,594)	Capital Grants Unapplied	924	(1,670)	34e
(44,613)	Total Net Worth	14,348	(30,265)	

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.

2015/16 £000		2016/17 £000
(12,376)	Balance brought forward at 1 April	(17,486)
	Received in year:	
(1,023)	Proceeds from sale of long-term assets	(1,527)
(3,754)	Shares in preserved Right to Buy (Unattached Capital Receipt)	(4,954)
(305)	VAT Shelter compensation (Unattached Capital Receipt)	(26)
(4,050)	Property Investment Board (PIB) receipt (Unattached Capital Receipt)	(384)
0	Loan repayments (Unattached Capital Receipt)	0
(9,132)		(6,891)
	Applied in year:	
3,106	Applied to Capital Adjustment Account to finance new capital expenditure	12,411
916	Transferred to Capital Adjustment Account to finance new capital expenditure	0
(17,486)	Balance carried forward at 31 March	(11,966)

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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 15 £000	Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 16 £000		Appropriations to Reserve £000	Appropriations from Reserve £000	Balance at 31 Mar 17 £000
(85)	0	0	(85)	Area Based Grant	0	0	(85)
(1,612)	1,612	(1,170)	(1,170)	Budget Carry Forward		409	(761)
0	(2,150)	1,340	(810)	Capital Fund	(1,340)	1,500	(650)
(707)	(68)	0	(775)	Car Parking Zones	(132)	0	(907)
(160)	0	0	(160)	Charter Place Tenants	0	0	(160)
(57)	0	0	(57)	Climate Change	0	0	(57)
0	0	0	0	Comm. Infra Levy	0	0	0
(50)	0	0	(50)	Crematorium	(284)	0	(334)
(646)	0	200	(446)	Development Sites	0	0	(446)
				Decontamination			
(2,087)	(1,962)	0	(4,049)	Economic Impact	0	3,299	(750)
(90)	0	0	(90)	High Street Innovation	0	0	(90)
(113)	0	0	(113)	Homelessness Prevention	0	0	(113)
(996)	0	0	(996)	Housing Benefit Subsidy	0	0	(996)
(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	(12)
(423)	0	0	(423)	Leisure Structured Maintenance	0	0	(423)
(178)	0	55	(123)	Local Development Framework	(55)	0	(178)
(181)	0	0	(181)	Multi-Storey Car Park Repair	0	0	(181)
(3,611)	(458)	0	(4,069)	New Homes Bonus	0	0	(4,069)
(4,061)	0	0	(4,061)	NDR Collection Fund	0	4,061	0
(60)	0	0	(60)	Parks, Waste & Street Strategy	0	0	(60)
(2,249)	0	0	(2,249)	Pension Funding	0	0	(2,249)
(191)	0	0	(191)	Performance Reward Grant (Capital)	0	50	(141)
(29)	0	0	(29)	Performance Reward Grant (Revenue)	0	0	(29)
(1,000)	0	345	(655)	Project and Programme Management	(126)	295	(486)
(100)	0	0	(100)	Rent Deposit Guarantee Scheme	0	0	(100)
(725)	0	415	(310)	Vehicle Replacement	0	128	(182)
(193)	0	5	(188)	Weekly Collection Support Grant	0	105	(83)
(21,291)	(3,026)	1,190	(23,127)	Total	(1,937)	9,847	(15,217)

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:

2015/16 £000		2016/17 £000
(1,350)	Balance brought forward at 1 April	(1,350)
(2,495)	Net increase/(decrease) before transfers to earmarked reserves	7,342
2,495	Transfer (to)/from earmarked reserves	(7,404)
(1,350)	Balance carried forward at 31 March	(1,412)

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2015/16 £000		2016/17 £000
0	Balance brought forward at 1 April	(2,592)
(1,681)	Section 106- grants held for future use (transfers from long term creditors)	0
(915)	Section 106- grants held for future use (new in year)	(214)
611	Section 106- grants applied (to Capital Adjustment Account)	1,519
1,014	Capital Grants applied	4,280
(394)	Capital Grants brought forward (transfers from long term creditors)	0
(1,075)	Capital Grants received	(4,265)
(152)	Community Infrastructure Levy	(400)
(2,592)	Balance carried forward at 31 March	(1,672)

31 Unusable Reserves

a) Movement in Unusable Reserves

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

Balance at 31 Mar 16 £000	Reserve	Net Movem't in year £000	Balance at 31 Mar 17 £000	Further Detail Note
94	Accumulated Absences Reserve	20	114	
(171,438)	Capital Adjustment Account	(14,328)	(185,766)	31b
4,697	Collection Fund Account	(8,667)	(3,970)	31c
1,633	Deferred Capital Payments	(1,510)	123	31d
(2,323)	Deferred Capital Receipts	(25)	(2,348)	31e
76	Financial Instruments Account	0	76	31g
57,310	Pensions Reserve	5,758	63,068	31f
(34,315)	Revaluation Reserve	(10,558)	(44,873)	31g
(144,266)	Total Net Worth	(29,310)	(173,576)	

b) 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

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16 £000		2016/17 £000
(158,363)	Balance brought forward at 1 April	(171,438)
(116)	Other	0
(158,479)		(171,438)
	Reversal of items relating to capital expenditure debited/credited to the CIES	
5,920	Charges for depreciation and impairment of non-current assets	6,122
23	Amortisation of Intangible Assets	17
285	Revaluation losses on PPE	40
1,350	Revenue Expenditure Funded from Capital under Statute	1,624
2,105	Amounts of non-current assets w/o on disposal/sale as part of the gain/loss on disposal to the CI&ES	648
(680)	Adjusting amounts w/o of the Revaluation Reserve	(786)
9,003	Net w/o amount of the cost of non-current assets consumed in the year	7,665
	Capital financing applied in the year:	
(4,022)	Use of Capital Receipts Reserve to finance new capital expenditure	(12,411)
(1,624)	Capital Grants/Contributions, applied to capital financing	(5,799)
(764)	* Capital Fund Earmarked Reserve	0
0	* Development Sites Decontamination Earmarked Reserve	0
(1,340)	* Local Enterprise Partnership (LEP)	(392)
(7,750)		(18,602)
	Other Movements:	
(44)	Minimum Revenue Provision relating to finance lease payments	0
0	Transfer relating to Heritage Assets	0
0	Relating to write out of Capital Exp not adding value	0
0	Transfer from Deferred Capital Receipts relating to Assets Held For Sale	0
(2)	Other reclassifications	1,340
(14,166)	Mvmnt in Market value of Investment Properties debited/credited to the CI&ES	(4,731)
(171,438)	Balance carried forward at 31 March	(185,766)

c) 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.

2015/16 £000		2016/17 £000
3,078	Balance brought forward at 1 April	4,697
1,619	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	(8,667)
4,697	Balance carried forward at 31 March	(3,970)

d) 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.

2015/16 £000		2016/17 £000
84	Balance brought forward at 1 April	1,633
1,549	Deferred Payment of Local Enterprise Partnership (LEP) Loan	(1,510)
0	Finance Leases adjustments	0
1,633	Balance carried forward at 31 March	123

NOTES TO THE CORE FINANCIAL STATEMENTS

e) 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.

2015/16 £000		2016/17 £000
(1,191)	Balance Brought Forward at 1 April	(2,323)
0	Adjustment for Finance lease payments	0
0	Disposal of Assets Held for Sale (Current Assets)	0
0	Transfer from the Capital Adjustment Account relating to Assets Held For Sale	0
(332)	Revaluation of Rent to Mortgage Properties	(25)
(800)	Sale of Property- receipt Deferred	0
0	Charges Registered to Properties (Other CIES)	0
(2,323)	Balance carried forward at 31 March	(2,348)

f) 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.

2015/16 £000		2016/17 £000
66,039	Balance brought forward at 1 April	57,310
(9,238)	Remeasurements of the net defined benefit liability/(asset)	5,524
3,755	Reversal of items relating to retirement benefits debited/(credited) to the Surplus/Deficit on the Provision of Services in the CIES	3,550
(3,246)	Employer's pension contributions and direct payments to pensioners payable in year	(3,316)
57,310	Balance carried forward at 31 March	63,068

g) Revaluation Reserve

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2015/16		2016/17
£000		£000
(35,063)	Balance brought forward at 1 April	(34,315)
(42)	Upward Revaluation of assets	(11,344)
0	Downward Revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of service	0
(42)	Surplus/Deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(11,344)
680	Difference between fair value depreciation and historical cost depreciation	786
110	Accumulated gains on assets sold or scrapped	0
790	Amount written off to the Capital Adjustment Account	786
(34,315)	Balance carried forward at 31 March	(44,873)

32 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 16	31 Mar 16		31 Mar 17	31 Mar 17
£000	£000		£000	£000
197	45,108	Investments		
		Financial assets at fair value through profit and loss	7,147	25,017
8,244		Debtors		
	9,617	Loans and receivables	12,739	
	5,708	Financial assets carried at contract amount		10,681
		Cash and Cash Equivalents		9,483
(7,500)		Borrowing		
	0	Financial liabilities at amortised cost	(7,500)	
		Financial liabilities at fair value through profit and loss		0
62		Other long-term Liabilities		
		PFI and Finance Leases (deferred liabilities)	72	
(380)		Creditors		
	(13,993)	Financial liabilities at amortised cost	0	
		Financial liabilities carried at contract amount		(24,382)
623	46,440	Total	12,458	20,799
47,063			33,257	

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 2017, 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 (2015/16: £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 27th January 2016 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2016/17 was set at £20 million (2015/16: £15 million). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £15million (2015/16: £16 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 2016/17, which was approved by the Council on 27 January 2016, 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2017 that this was likely to crystallise.

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

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

Liquidity risk

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

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

The Council does not generally allow credit for its trade debtors, such that £1.241 million (2015/16: £0.551 million) of the £16.102 million (2015/16: £10.472 million) balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 16 £000		31 Mar 17 £000
223	Less than 3 months	781
51	More than 3 months, less than 6 months	11
140	More than 6 months, less than 1 year	173
137	More than 1 year	276
551	Total	1,241

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 2017 is as follows:-

31 Mar 16 £000		31 Mar 17 £000
45,108	Less than 1 year	25,017
45,108	Total	25,017

Market Risk

Interest Rate Risk

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

2015/16 £000		2016/17 £000
451	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	351

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).

2015/16			Note	2016/17		
£000	£000			£000	£000	£000
				NDR	Ctax	Total
		<u>Income:</u>				
(49,216)		Council Tax Payers	CF1		(51,595)	
(66,640)		Business Rate Payers		(63,332)		
0		Deferred Income for Small Business Rates		0		
0		Reduction in Bad Debt Provision (Council Tax including write offs)			0	
(3,882)		Contributions towards previous year's deficit Business Rates		(13,356)		
(119,738)		Total Income		(76,688)	(51,595)	(128,283)
		<u>Expenditure:</u>				
		<u>Council Tax</u>				
47,400		Precepts and Demands	CF3		49,585	
1,092		Bad and Doubtful Debts Increase\decrease) in Provision (including write offs)			(115)	
		<u>Business Rates</u>				
33,489		Shares to Preceptors and the Council	CF4	32,008		
33,490		Central Government Share	CF4	32,008		
241		Transitional Payments		908		
6,798		Bad and Doubtful Debts and Appeals Increase in Provision (including write offs)		(9,839)		
172		Cost of Collection		172		
1,517		Contributions towards previous year's surplus Council Tax	CF6		1,533	
124,199		Total Expenditure		55,257	51,003	106,260
4,461		(Increase) / Decrease in Collection Fund Balance		(21,431)	(592)	(22,023)
6,034		Fund Balance - (Surplus) / Deficit at 1 April		12,527	(2,032)	10,495
10,495		Fund Balance - (Surplus) / Deficit at 31 March	CF5	(8,904)	(2,624)	(11,528)

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 2016/17.

2015/16		2016/17				Equivalent Number of Band D Dwellings
Equivalent Number of Band D Dwellings		Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	
-	A (Disabled Relief)	0.00	-	0.00	5/9	0.00
104.47	A	314.00	(124.34)	189.66	6/9	126.44
1,871.35	B	3,953.50	(1,393.37)	2,560.13	7/9	1,991.21
9,675.54	C	13,994.50	(2,992.75)	11,001.75	8/9	9,779.33
10,255.39	D	12,370.00	(1,939.94)	10,430.06	9/9	10,430.06
3,918.73	E	3,609.00	(368.76)	3,240.24	11/9	3,960.29
2,865.16	F	2,122.00	(141.77)	1,980.23	13/9	2,860.33
2,929.17	G	1,856.00	(68.58)	1,787.42	15/9	2,979.03
137.50	H	81.00	(2.75)	78.25	18/9	156.50
31,757.30		38,300.00	(7,032.26)	31,267.74		32,283.20
(952.72)	Less: Allowance for losses on collection					(968.50)
30,804.58	Tax Base for Calculation of Council Tax					31,314.71
1,179.56	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					1,268.79
31,984.14	Council Tax Base for the Year					32,583.50

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 £1,583.46 (£1,538.75 for 2015/16).

2015/16 £000		2016/17 £000
(49,216)	Gross Council Tax Charge	(51,595)
(49,216)	Income from Council Tax Payers	(51,595)

NOTES TO THE COLLECTION FUND

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:

2015/16 £		2016/17 £
155,828,212	Total Non-domestic Rateable Value at 31 March	152,302,812
49.3	National Non-domestic Rate Multiplier - Standard	49.7
48.0	National Non-domestic Rate Multiplier - Small Business	48.4

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:

2015/16 £000	Council Tax	2016/17 £000
35,151	Precepts:	37,159
4,554	Hertfordshire County Council	
	Hertfordshire Police & Crime Commissioner (PCC)	4,603
7,696	Demand:	7,824
	Watford Borough Council	
47,401	Total	49,586

NOTES TO THE COLLECTION FUND

CF4 Shares - Business Rates

2015/16 £000	Business Rates	2016/17 £000
6,697	Hertfordshire County Council	6,402
26,792	Watford Borough Council	25,606
33,490	Central Government	32,008
66,979	Total	64,016

CF5 Distribution of Balances

Based on the precepts and demands made in 2016/17, 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:

2015/16 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Watford Borough Council £000	2016/17 Total £000
5,348	Gross Arrears	3,388	488	693	4,569
(884)	Less: Prepayments	(606)	(87)	(124)	(817)
4,464	Net Arrears	2,782	401	569	3,752
(4,195)	Provision for Doubtful Debts	(2,669)	(384)	(546)	(3,599)
(2,032)	Collection Fund Balance	(1,960)	(255)	(409)	(2,624)

2015/16 Total £000	Business Rates	Herts County Council £000	Watford Borough Council £000	Central Government £000	2016/17 Total £000
2,658	Gross Arrears	281	1,123	1,404	2,808
(1,169)	Less: Prepayments & Credits	(235)	(940)	(1,175)	(2,350)
1,489	Net Arrears	46	183	229	458
(1,372)	Provision for Doubtful Debts	(162)	(647)	(808)	(1,617)
(20,953)	Provision for Appeals	(1,018)	(4,072)	(5,090)	(10,180)
12,527	Collection Fund Balance	(890)	(3,562)	(4,452)	(8,904)

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.

NOTES TO THE COLLECTION FUND

CF6 Collection Fund Surpluses and Deficits

The Council Tax surplus that was generated up to 31 March 2016 was distributed to Hertfordshire County Council, Hertfordshire Police and Crime Commissioner and Watford Borough Council during 2016/17. 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:-

2015/16 Total £000	Council Tax	Herts County Council £000	Herts PCC £000	Watford Borough Council £000	2016/17 Total £000
1,517	Surplus Distribution	1,137	147	249	1,533

The Council Tax surplus of £2,623,284 at 31st March 2017 will be distributed in subsequent financial years.

The Business Rates surplus at 31 March 2017 will be distributed 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.



DRAFT GROUP ACCOUNTS

2016/17

GROUP STATEMENT OF MOVEMENT IN RESERVES

GROUP STATEMENT OF MOVEMENT IN RESERVES	General Fund	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	(18,722)	0	0	0	0	(18,722)	0	(18,722)
Other Comprehensive Expenditure and (Income)	0	0	0	0	0	0	(9,325)	(9,325)
Total Comprehensive Expenditure and Income	(18,722)	0	0	0	0	(18,722)	(9,325)	(28,047)
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	(1,895)	0	(5,110)	(2,594)	(142)	(9,740)	(18,423)	(28,163)

-continued

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	(600)	600	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	1,895	(1,291)	0	0	0	604	(604)	0
Increase / Decrease in 2015/16	0	(1,291)	(5,110)	(2,594)	(142)	(9,136)	(19,027)	(28,163)
Balance as at 31 March 2016	(1,350)	(23,182)	(17,486)	(2,594)	(78)	(44,690)	(144,267)	(188,956)

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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
Balance at 1 April 2016	(1,350)	(23,182)	(17,486)	(2,594)	(78)	(44,690)	(144,267)	(188,956)
Movement in Reserves during 2016/17								
(Surplus) or deficit on provision of services	(17,212)	0	0	0	0	(17,212)	0	(17,212)
Other Comprehensive Expenditure and (Income)	0	0	0	0	0	0	(5,812)	(5,812)
Total Comprehensive Expenditure and Income	(17,212)	0	0	0	0	(17,212)	(5,812)	(23,024)
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	(6,122)	0	0	0	0	(6,122)	6,122	0
Revaluation Losses on Property, Plant and Equipment	4,728	0	0	0	0	4,728	(4,728)	0
Amortisation of intangible assets	(17)	0	0	0	0	(17)	17	0
Amounts of non-current assets w/o on disposal/sale part of the Gain/Loss to the CIES	(648)	0	0	0	0	(648)	648	0
Capital grants & contributions applied	0	0	0	5,799	0	5,799	(5,799)	0
Revenue expenditure funded from capital under statute	(1,624)	0	0	0	0	(1,624)	1,624	0
Minimum Revenue Provision	0	0	0	0	0	0	0	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	12,411	0	0	12,411	(12,411)	0
Proceeds from sale of long-term assets	1,527	0	(1,527)	0	0	0	0	0
Unattached capital receipts	10,524	0	(5,645)	(4,879)	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	0	0	0	0	0	0	0	0
Adjustments primarily involving the Collection Fund Adjustment Account:								
Collection Fund adjustment in accordance with statutory requirements	8,667	0	0	0	0	8,667	(8,667)	0
Adjustments primarily involving the Accumulated Absences Reserve:								
Accrued employee benefits adjustment in accordance with statutory requirements	(20)	0	0	0	0	(20)	20	0
Adjustments primarily involving the Pensions Reserve:								
Employer's pension contributions and direct payments to pensioners payable in year	3,316	0	0	0	0	3,316	(3,316)	0
Reversal of items relating to retirement benefits debited or credited to the CI&E	(3,550)	0	0	0	0	(3,550)	3,550	0
Adjustments primarily involving the Share of Joint Venture Reserve:								
Share of (Surplus) / Deficit on Provision of Services by Joint Venture	8,055	0	0	0	(8,055)	0	0	0
Other adjustments to General Fund Balances	(280)	0	280	0	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	7,344	0	5,519	920	(8,055)	5,729	(28,752)	(23,024)

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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	(409)	409	0	0	0	0	0	0
Capital Fund Reserve (including LEP)	0	160	0	0	0	160	(160)	0
Car Parking Zones Reserve	141	(132)	0	0	0	9	(9)	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	284	(284)	0	0	0	0	0	0
Development Sites Decontamination Reserve	0	0	0	0	0	0	0	0
Economic Impact Reserve	(3,299)	3,299	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	0	0	0	0	0	0	0	0
NNDR Collection Fund Reserve	(4,061)	4,061	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	50	0	0	0	50	(50)	0
Performance Reward Grant Reserve (Revenue)	0	0	0	0	0	0	0	0
Projects and Programme Management	(60)	169	1	0	0	110	(110)	0
Rent Deposit Guarantee Scheme Reserve	0	0	0	0	0	0	0	0
Vehicle Replacement Reserve	0	128	0	0	0	128	(128)	0
Weekly Collection Support Grant Reserve	(2)	101	0	0	0	100	(98)	0
Transfers to/from earmarked reserves	(7,406)	7,961	1	0	0	557	(555)	0
Increase / Decrease in 2016/17	(62)	7,961	5,520	920	(8,055)	6,286	(29,307)	(23,024)
Balance as at 31 March 2017	(1,412)	(15,221)	(11,966)	(1,674)	(8,133)	(38,406)	(173,574)	(211,980)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16			2016/17		
NET EXPEND- ITURE £000	GROUP CIES STATEMENT	Note	GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
	Services				
9,199	Corp Strategy & Client Service		11,095	(1,927)	9,168
7,043	Community Services		8,731	(2,625)	6,106
2,040	Democracy & Governance		3,634	(331)	3,303
4,776	Deputy MD		8,517	(4,562)	3,955
985	Managing Director		610	0	610
0	Human Resources		727	(107)	620
4,864	Strategic Finance		45,800	(39,431)	6,369
28,907	Net Cost of Services		79,114	(48,983)	30,131
	Other Operating (Income) and Expenditure				
(958)	(Gains) / Losses on disposal of long-term assets				(879)
(5,960)	Unattached capital receipts				(9,915)
(3,044)	Other Operating (Income) and Expenditure				(2,133)
	Financing and Investment (Income)/Expenditure				
32	Interest payable and similar charges				29
2,024	Pension interest costs & expected return on assets				1,918
(379)	Interest receivable and similar income				(579)
(19,589)	(Income)/Expenditure in relation to Investment Properties				(5,519)
0	Changes in the fair value of Investment Properties				(4,727)
49	Other Investment (Income) / Expenditure				0
	Taxation and Non-Specific Grant Income				
(7,795)	Council Tax Income				(8,167)
(2,578)	Non-domestic Rates Redistribution				(3,199)
(7,070)	Non-ringfenced Government Grants				(5,441)
(2,816)	Capital Grants and Contributions				(676)
(19,176)	(Surplus) or Deficit on Provision of Services				(9,157)
(142)	Share of (Surplus) / Deficit on Provision of Services by Joint Venture				(8,055)
(19,318)	Group (Surplus) / Deficit				(17,212)
(87)	(Surplus) / Deficit on revaluation of long-term assets				(11,334)
(9,238)	Actuarial (gains) or losses on pension assets and liabilities				5,522
(9,325)	Other Comprehensive (Income) and Expenditure				(5,812)
(28,642)	Total Comprehensive (Income) and Expenditure				(23,024)

GROUP BALANCE SHEET

31 March 2016			31 March 2017		
£000	£000		Note	£000	£000
63,434		Land and Buildings		75,817	
7,398		Vehicles, Plant and Equipment		13,096	
921		Infrastructure Assets		1,056	
9,058		Assets Under Construction		10,825	
1,945		Heritage Assets		1,945	
118,187		Investment Properties		142,569	
9,300		Surplus Assets		300	
197		Long Term Investments		7,147	
5,244		Long Term Debtors		9,739	
	215,684	Long Term Assets			262,494
0		Assets Held for Sale		0	
192		Inventories and Work In Progress		3,191	
9,746		Short Term Debtors		11,033	
45,108		Short Term Investments		25,017	
6,185		Cash and Cash Equivalents		11,808	
	61,231	Current Assets			51,049
(15,514)		Short Term Creditors		(26,798)	
0		Short Term Borrowing		0	
	(15,514)	Current Liabilities			(26,798)
(380)		Government Grants & Other Contributions in Advance		0	
62		Deferred Liabilities		72	
(7,500)		Loans		(7,500)	
(8,600)		Provisions		(4,271)	
(57,310)		Liability related to Defined Benefit Pension Scheme		(63,068)	
	(73,728)	Long Term Liabilities			(74,767)
	187,672	Net Assets			211,978
(22,596)		Capital Receipts Reserve		(11,966)	
(23,783)		Earmarked Reserves		(15,221)	
(2,407)		General Fund Balance		(1,412)	
(4,427)		Capital Grant unapplied		(1,670)	
(78)		Share of Joint Venture Reserve		(8,133)	
	(53,290)	Usable Reserves			(38,402)
88		Accumulated Absences Reserve		114	
(152,234)		Capital Adjustment Account		(185,766)	
4,697		Collection Fund Adjustment Account		(3,970)	
4,731		Deferred Capital Payments		123	
(2,793)		Deferred Capital Receipts		(2,348)	
76		Financial Instruments Adjustment Account		76	
57,310		Pensions Reserve		63,068	
(34,315)		Revaluation Reserve		(44,873)	
	(122,440)	Unusable Reserves			(173,576)
	(175,730)	Total Reserves			(211,978)

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

Signed

Joanne Wagstaffe CPFA
Director of Finance

Date: 30 June 2017

Signed

Derek Scudder
Chairman of Audit Committee

Date: 30 June 2017

GROUP CASH FLOW STATEMENT

2015/16		GROUP CASH FLOW STATEMENT	2016/17	
£000	£000		£000	£000
19,322		Net surplus or (deficit) on the provision of services	17,212	
(7,318)		Adjustments to net surplus or deficit on the provision of services for non cash movements	8,138	
(12,338)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	(13,689)	
	(334)			11,661
	(334)	Net cash flows from Operating Activities		11,661
		Investing Activities		
(9,779)		Purchase of PPE, Investment Property and intangible assets	(24,216)	
(105,730)		Purchase of short term / long term investments	(96,962)	
10,263		Proceeds from the sale of PPE, Investment Property and intangible assets	8,426	
93,710		Proceeds from short term / long term investments	110,000	
0		Other receipts/payments from investing activities	409	
	(11,536)			(2,343)
		Financing Activities		
0		Other receipts/payments from financing activities	(10)	
1,500		Cash receipts of short and long term borrowing	0	
4,202		Other payments for financing activities	(3,684)	
2,283		Cash Receipts of short-term / long term borrowing	0	
	7,985			(3,694)
	(3,884)	Net increase/(decrease) in cash and cash equivalents		5,624
	10,068	Cash and Cash equivalents at the beginning of the reporting period		6,184
	6,184	Cash and Cash equivalents at the end of the reporting period		11,808

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

Joint Ventures	Share of Ownership	Other Stakeholder	Date Incorporated
Watford Health Campus Partnership LLP (WHCP)	50%	Kier Proprety Investment	18 June 2013
Hart Homes (Watford) Limied	50%	Watford Community Housing Trust	24 June 2016

Watford Borough Council has 100% ownership in Watford Commercial Services Limited (net assets of £6k as at 31 March 2017) which in turn has 50% ownership in Hart Homes Watford Development LLP (net assets of £9k as at March 2017). The net assets of these companies are not material and therefore have not been consolidated as part of the group accounts.

2015/16			2016/17	
Watford Health Campus Partnership LLP	Hart Homes (Watford) Limited		Watford Health Campus Partnership LLP	Hart Homes (Watford) Limited
£000	£000		£000	£000
0	0	Revenue	(2)	0
0	0	Cost of Sales	0	0
25	0	Administrative Expenses	45	3
25	0	Loss for the period	44	3
0	0	Property, Plant and Equipment	0	1,319
3,817	0	Project under Development (Long Term Assets: AuC- rd)	6,378	0
177	0	Work in Progress (Current Assets)	3,175	0
129	0	Debtors (Current Assets)	345	8
477	0	Cash and Cash Equivalents (Current Assets)	1,125	1,200
(1,521)	0	Creditors (Current Liabilities)	(2,286)	(130)
(3,000)	0	Creditors (Long term liabilities)	(3,000)	0
79	0	Net Assets	5,736	2,397

NOTES TO THE GROUP ACCOUNTS

3 Related Party Transactions

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

2015/16			2016/17	
Purchases £000	Amounts Outstand- ing at 31 March £000		Purchases £000	Amounts Outstand- ing at 31 March £000
43	0	Kier Project Investment Limited	43	0
118	0	Kier Property Development Limited	225	0
0	0	Watford Borough Council	0	0

WHCP Members' Capital Contributions (Loan Notes)

Watford Borough Council and Kier Property Development Limited made initial capital contributions of £150,000 through Loan Notes A's. During 16-17, Watford Borough Council made £6.950m of Loan Note A and £4.458m of Senior Debts. Interest of £284k has been accrued in respect of the total contributions by Watford Borough Council.

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. 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. (2015/16 £3M)

GLOSSARY OF TERMS AND ABBREVIATIONS

Accounting Period

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

Accruals

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

Amortisation

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

Billing Authority

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

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

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

Collection Fund

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

Contingent Assets/Liabilities

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

Depreciation

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

GLOSSARY OF TERMS AND ABBREVIATIONS

Earmarked Reserves

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

Finance Lease

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

Financial Reporting Standard (FRS)

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

Group Accounts

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

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

Heritage Assets

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

IFRS

International Financial Reporting Standards.

Investment Property

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

Investments

Deposits for with approved institutions.

Infrastructure Assets

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

Long Term Assets – Tangible

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

Long Term Assets – Intangible

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

Long Term Debtors

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

GLOSSARY OF TERMS AND ABBREVIATIONS

National Non-Domestic Rates (NNDR)

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

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

Operational Assets

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

Operating Lease

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

Pension Fund

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

Precept

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

Profit on the Sale of Long Term Assets

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

Provisions

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

Revenue Expenditure Funded From Capital Under Statute

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

Revenue Support Grant

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

Surplus Assets

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

INDEPENDENT AUDITOR'S REPORT AND CERTIFICATE

