



**WATFORD  
BOROUGH  
COUNCIL**

# **AUDIT COMMITTEE**

## **Item 12 Statement of Accounts 2017/18**

**26 July 2018**

**7.00 pm**

**Town Hall, Watford**

**Contact**

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**Publication date: 25 July 2018**

# Committee Membership

Councillor D Scudder (Chair)  
Councillor J Johnson (Vice-Chair)  
Councillors A Khan, P Kloss and G Saffery

## Agenda

### Part A - Open to the Public

- 12. External Auditor's 'Audit Results Report' and Statement of Account 2017/18**  
(Pages 3 - 105)

Report of the External Auditor (EY) and Head of Finance Shared Services to follow

**Report to:** Audit Committee

**Date of meeting:** 26 July 2018

**Report of:** Head of Finance

**Title:** External Auditors 'Audit Results Report' and Statement of Accounts 2017/18

## 1.0 **SUMMARY**

1.1 This report allows the Committee to ask questions of the external auditor concerning the Audit Results Report (ARR), and to ask questions/comment on the Statement of Accounts for 2017/18.

## 2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the external auditor's 'Audit results report.'

2.2 That the Committee seeks any clarification it needs concerning the processes involved in the production of the annual Statement of Accounts for 2017/18.

2.3 That approval of the Statement of Accounts for 2017/18 be delegated to the Audit Committee Chair and the Director of Finance, subsequent to completion of the audit.

### **Contact Officer:**

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**Report approved by:** Joanne Wagstaffe Director of Finance

### 3.0 **DETAILS**

- 3.1 The Audit Committee at its meeting on the 15 March 2018 received the draft Audit Planning report for the Statement of Accounts for 2017/18. The Accounts are being audited by Ernst and Young LLP (EY). The accounts need to be produced and audited by end July 2018, which is two months earlier than last year.
- 3.2 The Audit results report from EY will be distributed to the Committee as soon as possible. EY will attend the meeting to present the report and answer questions.
- 3.3 The audit has identified some major changes since the Draft Statement of Accounts were put on the Council's website at the end of May. There is a separate report on these as an addendum.
- 3.4 The Council's Statement of Accounts for 2017/18 is attached at Appendix 1.
- 3.5 Due to the shorter elapsed time available the audit will be incomplete at the time of the Committee. The accounts must be signed by the Chief Financial Officer before they are approved by the Committee and, subject to approval, the Chairman of the Committee shall sign and date them. This would usually be at the meeting, but as there is further work required a request is made for these signatures to be provided on a delegated authority basis.

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

- 4.1 The purpose of the Statement of Accounts is to give interested parties an understanding of the Council's financial position. It also provides an opportunity to compare how the Council performed financially against its revised plan published when setting the 2018/21 Medium Term Financial Plan in January 2018. The Committee are referred to the Narrative Statement in the Statement of Accounts.
- 4.2 The Financial Statements have been prepared under International Financial Reporting Standards (IFRS), a statutory accounting framework which is used by public sector bodies within the United Kingdom. The Chartered Institute of Public Finance and Accountancy (CIPFA) produce a Code of Practice on Local Authority Accounting (the 'Code') which reflects the statutory requirements and has been followed in preparing the financial statements.
- 4.3 An Annual Governance Statement (AGS) is included elsewhere on the Agenda and in the Statement of Accounts. It will be signed by the Mayor and the Managing Director as required by proper practice.
- 4.4 *Summary of Financial Position*
- 4.5 The Council's medium-term financial planning has aimed to achieve a balanced budget and a prudent level of balances. Through Watford 2020 the Council has started to renew and modernise its service delivery in order to create a bold and progressive future for Watford.

## 5.0 **IMPLICATIONS**

### 5.1 **Financial**

5.1.1 Contained in the Statement of Accounts

### 5.2 **Legal Issues** (Monitoring Officer)

5.2.1 None Specific.

### 5.3 **Equalities**

5.3.1 None Specific.

### 5.4 **Potential Risks**

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

## **APPENDICES**

1. Statement of Accounts 2017/18
2. Addendum – Major changes to the draft Statement of Accounts
3. The 'Audit results report' by our external auditors (Ernst and Young LLP)

## **BACKGROUND PAPERS**

The Accounts and Audit (England) Regulations 2011



**WATFORD  
BOROUGH  
COUNCIL**

# STATEMENT OF ACCOUNTS

2017/18

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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 ensure 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; and
- complied with the local authority Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date, and
- 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 2018 and its income and expenditure for the year ended 31 March 2018.

**Signed** .....  
**Joanne Wagstaffe CPFA**

**Date:**

**Signed** .....  
**Derek Scudder**  
**Chairman of Audit Committee**

**Date:**

# NARRATIVE STATEMENT

1.

## **An Introduction to Watford Borough Council's organisational overview and external environment**

Watford is a vibrant and diverse borough, located in the south-west of Hertfordshire. It is one of ten districts within the county and, as a major regional centre located just within the M25, it is Hertfordshire's most significant town and plays a vital role in its economic prosperity as a successful commercial hub, and is a desirable place in which to live, work, study and enjoy leisure time.

The borough has a strong local, regional and national profile, although it covers an area of just 8.3 square miles – so it packs a lot of activity within a relatively small borough boundary. Whilst it does not have a common boundary with London, in terms of its regional profile and its young and diverse population, the borough has much in common with the energy and dynamism of the capital. However, one of Watford's key strengths is that it retains its own strong identity, with a long and varied history as a market town and a much-loved premier league football team.

The borough has excellent transport links with mainline rail connections to London, the Midlands and the North, underground and overground connections to London, its north-west suburbs and the rural Chilterns, community rail connections to St Albans, coach services to Heathrow airport, bus services to Luton airport and convenient road connections via the M1, M25 and A41. Its location, just 20 minutes travelling time from London, means it faces the pressures of being part of the London commuter belt such as high levels of traffic congestion, high house prices and limited land available for development.

Watford is the centre of a sub-region serving around 500,000 people, living within a 20 minute travelling time catchment. The town centre attracts visitors to enjoy its broad retail offer and vibrant night time economy, and recent initiatives such as the public realm enhancements, New Watford Market and comprehensive events programme have enabled the High Street to fare comparatively well during a challenging period for town centres across the UK. The forthcoming £100m redevelopment of the former Charter Place shopping centre by Intu, due for completion in 2018, also demonstrates the town centre's continued attractiveness to the market as one of the premier retailing destinations nationally.

### **Our population**

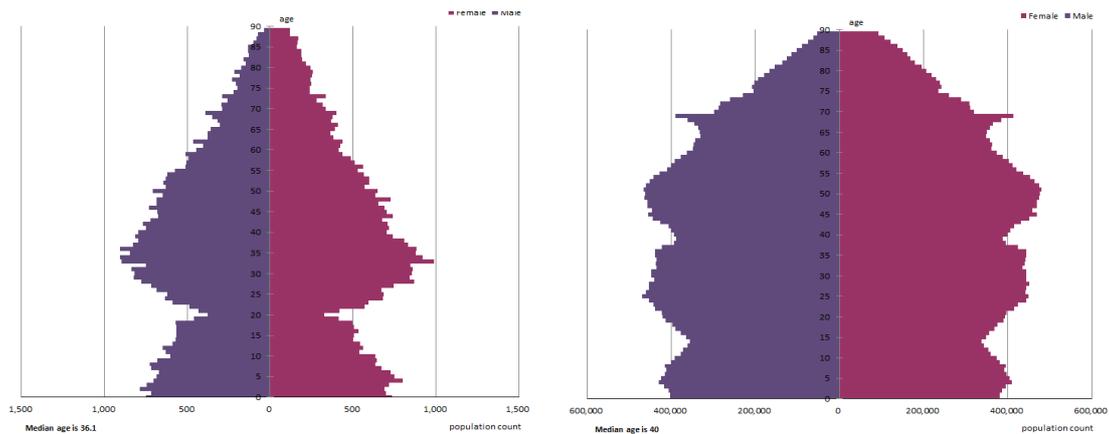
Watford is predominantly an urban borough with a population of 96,600 (ONS mid-year 2016). Given the area of the borough, this size of population means it is the most densely-populated district authority area within England.

The profile of Watford's population differs significantly from the rest of the county. It is highly diverse and, more in line with London authority areas, saw a substantial increase in diversity between Census returns in 2001 and 2011 when the non-White British population rose from 21% to 38%. The town continues to welcome a diverse range of nationalities and community cohesion remains one of our key strengths, with new arrivals establishing themselves alongside longer-standing communities.

## NARRATIVE STATEMENT

Around 120 languages are spoken as the main language in Watford homes (Hertfordshire County Council's annual school census 2018). This diversity is also reflected in national insurance registrations to adult overseas nationals (Department of Work and Pensions statistics), which consistently show new arrivals to Watford remain high with the greatest number of people currently coming from Eastern Europe and the Asian sub-continent.

Watford is also a town with a young average age. Like most areas its residents are living longer but, unlike the rest of Hertfordshire and the majority of the East of England region, it has a high birth rate and continues to be somewhere that is predominantly made up of younger families and households. Watford has the fourth highest percentage population of 0-4 year olds in the Eastern region and the sixth highest 0-14 year olds. In comparison, Watford has the third lowest percentage population of 65+ in the region. The diagram below shows how the distribution of Watford's population across age ranges differs from the profile of the UK, particularly in terms of a concentration of population below 45 years.



The borough's population has increased by around 7% since the 2011 Census compared with just under 4% for Great Britain overall and around 5% for the East of England region. This growth is projected to continue. Government projections show that Watford will reach a population of 100,000 by the end of 2017 (ONS sub-national projections) and just under 110,000 by 2024. This increase represents a 14.7% increase in population from 2014-2024, higher than the projection for England overall (10%) and more in line with projections for London authority areas.

Our MOSAIC profiling of the borough enhances our understanding of our population and provides valuable context for our future plans and decision-making. Watford's MOSAIC profile reinforces our understanding of the diversity of our population, its overall youth and also reflects the significance of the private sector rental sector in our housing market.

# NARRATIVE STATEMENT

MOSAIC GROUP	Group/Type Name	MOSAIC DESCRIPTION	Number of households in Watford	Watford Percentage	UK Percentage
1 J40	Career Builders	Singles and couples in their 20s and 30s progressing in their field of work from commutable properties	4508	11.69%	1.59%
2 J44	Flexible Workforce	Young renters ready to move to follow worthwhile incomes from service sector jobs	3123	8.10%	1.26%
3 D14	Cafés and Catchments	Affluent families with growing children living in upmarket housing in city environs	2837	7.35%	1.31%
4 I36	Cultural Comfort	Thriving families with good incomes in multi-cultural urban communities	2794	7.24%	1.37%
5 H35	Primary Ambitions	Forward-thinking younger families who sought affordable homes in good suburbs which they may now be out-growing	2391	6.20%	1.96%

### ***Watford's MOSAIC profile (2016)***

Watford has experienced a substantial rise in housing prices and costs over the last five years. Currently average house prices are around £450,000 almost twice as high as for the UK overall average of £220,000 and way above the East of England average of around £300,000; average rental costs are £1,390 per month compared to £915 for the East of England (home.co.uk figures- August 2017) making it an extremely attractive area for investment.

This has impacted on housing affordability (the median annual salary for Watford residents is around £33,000), which is a key issue for the borough, and, in combination with our increasing population, has led to considerable and growing pressure for new housing development. This has also resulted in a sharp rise in the number of our residents living in private sector rental accommodation, which is shown by our MOSAIC profile, where our top two types are characterised by living in rental properties.

### **Our economy**

The town is currently home to around 4,500 businesses with a good mix of company size and sector, with many international HQ's and a higher than average start-up success rate, and a range of businesses in between. There is representation from financial and professional services sectors, pharmaceutical, health sciences, creative media, manufacturing and retail and leisure industries, amongst many others.

The number of jobs in the borough is 93,000. Nearly half of these (47%) are part-time, which reflects the number of jobs within the borough in the retail, restaurant and bar and support services sectors. The borough also has a higher proportion of professional / technical professions than seen at a regional and national level. Overall, the borough's job density (jobs per head of population aged 16-64) is very high at 1.57 compared with 0.83 for the East of England region and 0.84 for Great Britain. The Job Seekers Allowance and benefit claimant rates overall are relatively low at 0.9% and 7.8% respectively. (Most data in this paragraph from NOMIS – November 2016).

## NARRATIVE STATEMENT

A key driver for our place shaping agenda is to retain employment opportunities within the town and to provide the flexible developments that meet the needs of current and future Watford businesses. At the same time, we know that access to the right workforce is critical for business success so we want our employment areas to be connected to good quality housing or linked through well-planned infrastructure and transport links.

Whilst the borough remains a prosperous place to live and do business there remain small pockets across the town where we know our residents are finding it harder to thrive. In national terms, our areas of deprivation are not comparable to other urban areas but we recognise the challenge of ensuring that Watford's prosperity does offer better economic opportunities for all our residents.

### **The Council**

Since 2002, the Council has been led by a Liberal Democrat directly elected mayor. It is just one of three district councils in the country to have adopted the elected mayoral system. In May 2018, Baroness Dorothy Thornhill MBE who had held the position for the previous 16 years stood down and Peter Taylor, (Liberal Democrat) was elected.

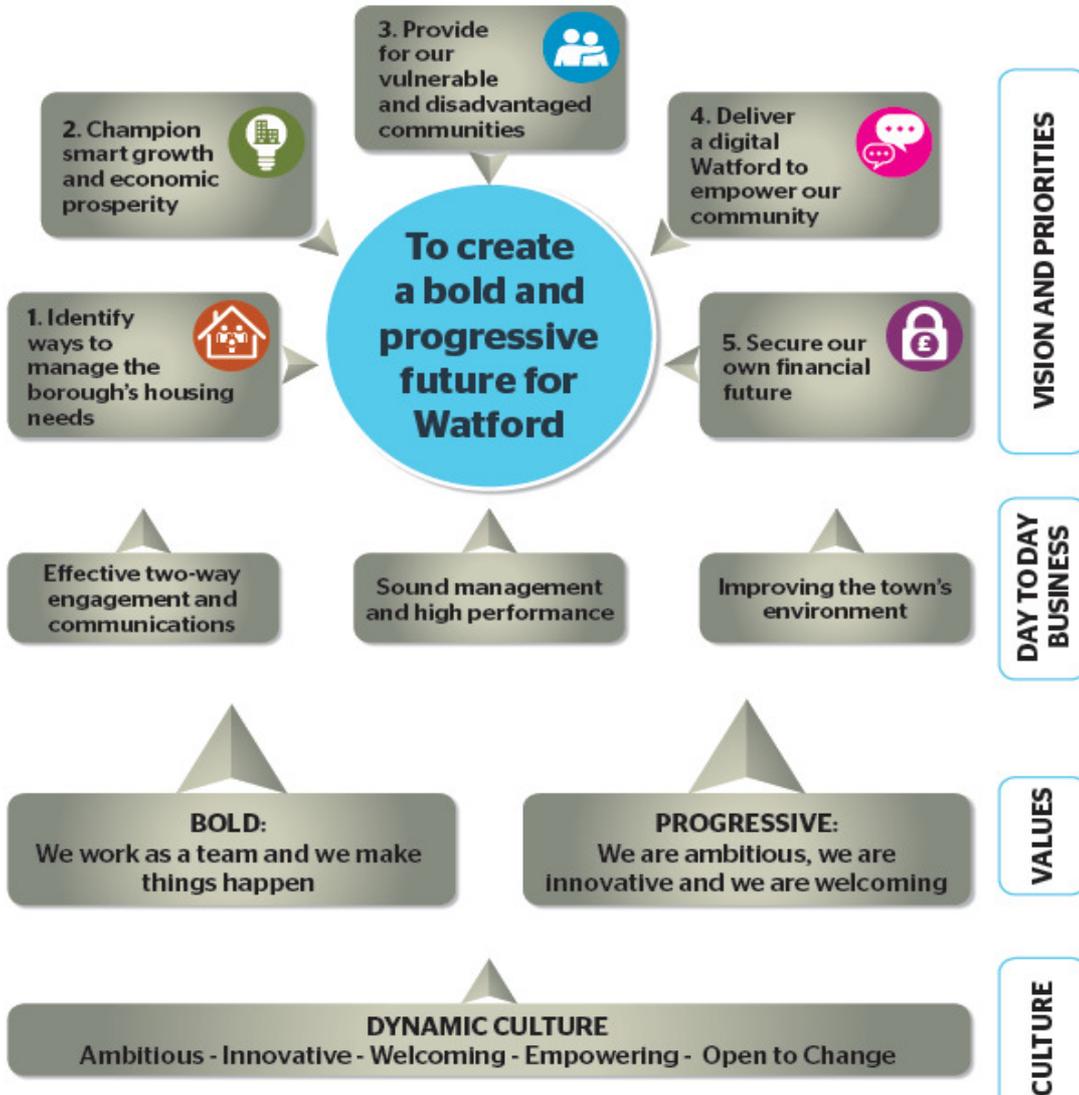
Watford's Mayor and Cabinet model has provided an effective and productive framework for member / officer working relationships at Watford. The clear lines of decision-making and accountability have been critical to the council's achievements. The Mayor is supported by a Cabinet of portfolio holders who work closely with the Leadership Team to develop and deliver the Council's agenda.

With the Mayor and Cabinet, political leadership is provided in total by 36 councillors all from two of the three main political parties (portfolio holders are amongst these 36 elected members). Watford currently has 26 Liberal Democrat councillors, 10 Labour councillors and no Conservatives). A recent Boundary Commission review recommended the number of councillors remained at 36 given the borough's current population and projected population growth.

Our corporate framework (see below) shows how our vision, priorities, values and culture work together, along with the Elected Mayor's priorities, to achieve our ambitions for the town and council. These are set out in our annual Corporate Plan , which also highlights our achievements from the previous year and the resident feedback that has informed our decision-making.

# OUR CORPORATE FRAMEWORK

Our corporate framework shows how our vision, values and culture work together, along with the Elected Mayor's priorities, to achieve our ambition.



## 2. Corporate Governance

The Council has an effective governance regime, and details of this are in the Annual Governance Statement on page 19. There were significant developments during 2017/18 when the Council introduced the Watford 2020 programme and the move to a new operating model in the coming years.

The Council had sound corporate governance arrangements in 2017/18, and there have been no noteworthy changes since then.

# NARRATIVE STATEMENT

## 3. Operational Model

Our Corporate Plan set out our ambitions for Watford and how we will deliver these commitments by 2020. It was underpinned by our corporate vision, values and objectives as well as the Mayor's priorities for the town during her fourth term in office.

OUR VISION: To create a bold and progressive future for Watford

### OUR FIVE PRIORITIES:

Supporting this vision, the Council had 5 priority areas of work. Our priorities were critical to the Council achieving successful outcomes for its ambitions for the town.

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

For each of these five priorities, the Corporate Plan included a detailed analysis of how these would be delivered, including:

- Introduction
- Our challenges
- Our opportunities
- Highlights of what we have achieved so far, and
- How we will continue to deliver the priority

As our organisation's key strategic programme, the Corporate Plan set our direction and programme of work for the medium term. For 2017, whilst we undertook a review of our corporate projects and areas of work, we built on last year's plan making sure that we capture our achievements as well as carrying forward areas of work still to be completed. At the same time, our review enabled us to identify new and emerging projects that support our vision and deliver our priorities.

## NARRATIVE STATEMENT

Through our review we remained committed to some key principles in shaping what we do:

- we cannot meet the financial challenge and the opportunities to be more commercial and entrepreneurial without making fundamental changes to the way we do business;
- we cannot afford to scale back our ambition for the borough and the Council; and
- we need to be more creative, innovative and resilient if we want to continue to be successful as we go forward.

The Council agreed a revenue budget in January 2017 for the following activities:

Service Areas	Approved Budget 2017/18 £000
Community and Environmental	8,950
Democracy and Governance	3,172
Place Shaping and Performance	(4,521)
Corporate Strategy and Communications	822
Service Transformation	1,852
Human Resources	581
Strategic Finance	3,958
<b>Total Net Expenditure</b>	<b>14,814</b>

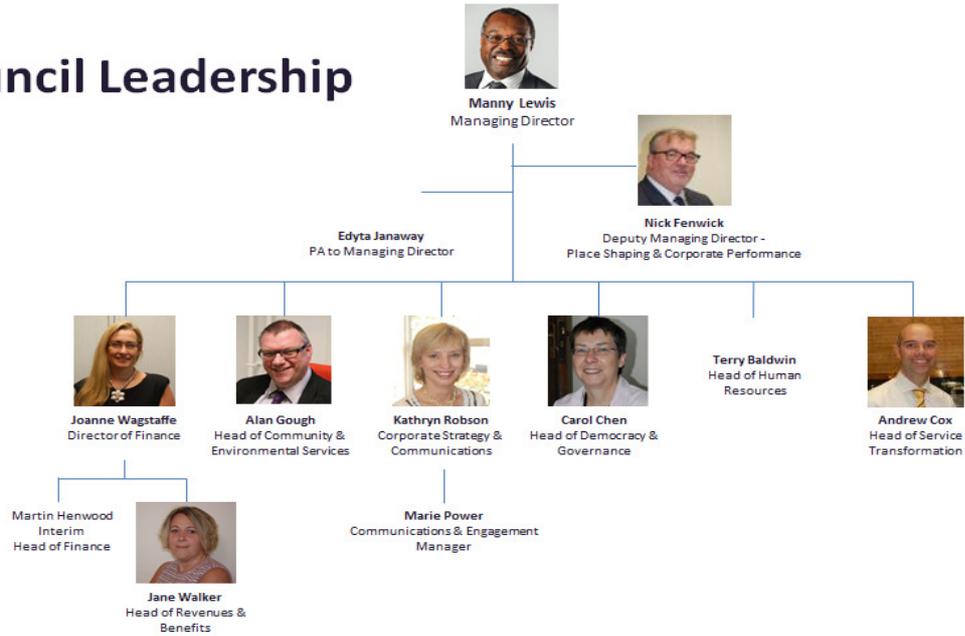
At the same time, the Council agreed a capital programme for 2017-20 of £69.0m. The five largest schemes in these three years were:

	£m
Riverside and Willow Lane	30.1
Watford Business Park redevelopment	8.4
Modular Temporary accommodation	6.0
Loans to Hart Homes	6.1
Oxhey Park north	3.8

Delivery of the vision, priorities, values and culture is provided through the council's Leadership Team, as pictured below. The Leadership Team is responsible for advising Cabinet and implementing its decisions, as well as managing the Council's circa 210 members of staff.

# NARRATIVE STATEMENT

## Council Leadership



The Corporate Plan outlined how we delivered our priorities whilst ensuring we maintained the high quality we have achieved in delivering our core areas of business such as waste and recycling, street cleaning, revenues and benefits and planning performance. We ensured we managed performance across the Council so that our key business areas provided the service levels our residents expect was a key theme underpinning everything in the plan.

The Watford 2020 programme was the overarching transformation plan:

### OUR WATFORD 2020 PROGRAMME

Through our Watford 2020 programme we are embarked on a major change and improvement journey. This programme wasn't just about transforming how the Council operates, but also providing a digital infrastructure for our town that provides local businesses with a competitive advantage and enhances the quality of life of residents.

A programme plan for Watford 2020 had been developed and included five streams of work:

- **Digital Watford** – we delivered a series of projects that are focused on creating an effective digital infrastructure within and outside the Council; transforming how Council services are provided and ensuring Watford businesses and residents have access to the technology and skills to maximise opportunities.
- **Service Innovations** – we embarked on a programme of service reviews to streamline council services ensuring they are joined up, digital and customer focused.

## NARRATIVE STATEMENT

- **Commercialism** – we positioned the Council to generate income by functioning as a commercially astute business with an entrepreneurial approach to developing new opportunities whilst remaining faithful to our core values.
- **Accommodation Strategy** - we looked at the Town Hall complex to see if we could design it better to support more efficient and flexible working and to make sure we are making the most of it as an asset and if there is scope to share our buildings
- **Supporting Strategies** – we developed and initiated a range of strategies to ensure the culture, skills, communication and technology was in place to deliver the ambitions of the programme.

The initial identification and discussion of innovations occurred during 2017/18, and the Outline Business Case for the New Operating Model and associated financial implications went to Cabinet in June 2018.

#### 4. Risks and Opportunities

The Council adopted a new Risk Management Strategy in November 2017. The objectives of this are to:

- integrate risk management into the culture of the Council;
- manage risks in accordance with best practice;
- anticipate and respond to changing social, environmental, economic and legislative requirements;
- prevent injury, damage and losses and reduce the cost of risk; and
- raise awareness of the need for risk management by all those connected with the Council's delivery services. This awareness to be recognised by all the Council's partner organisations.

By improving the management of risk, the Council is better able to achieve its objectives and ensure best value in the services it provides. All new employees are required to complete the Risk Management e-learning module.

The Corporate Risk Register has been updated and is reported to the Audit Committee on at least an annual basis. The updated register identified three very high risks and associated mitigation actions when reported to the Audit Committee in December 2017

- failure to have a suitably skilled workforce and the capacity to deliver the Council's services and objectives;
- unable to provide our statutory services at all times (*post Grenfell*); and
- lack of affordable housing in the borough to meet demand, homelessness increases, placing pressures upon temporary accommodation & bed and breakfast.

The Council also reports on its key financial and budgetary risks in the quarterly Finance Digest reports to the Budget Panel. During 2017/18 there were two risks identified as high risk:

- Inaccurate estimates of fees and charges income, and
- The estimate cost reduction and additional income gains are not achieved.

In addition there is a risk monitor of key high risk spend and income budgets that are vulnerable due to economic conditions, demographics, and demand e.g. spend on homelessness, commercial rent income.

The following table provides a sample of the financial and budgetary risks that are reported to Budget Panel, Audit Committee and Council during the financial year:

## NARRATIVE STATEMENT

Risk	Comment
Project overruns	Most projects tend to lean towards 'optimism bias' (over estimating that the project will be delivered on time and on budget). To avoid this it is important that the technical specification and outcome of each project is carefully considered at the project design stage.
Cost overruns	Cost overrun in project could be as a result of scope change. Any change in the project scope during execution may mean that the entire initial project plan will have to be reviewed such that a reviewed budget, schedule and quality will have to be developed.
Capital receipts and Interest/dividends are deferred	This may result in a cash flow issue and short term borrowing may be necessary to support the funding of projects that are in progress.
Returns are lower than expected	This is a key risk as failure to achieve the returns will increase the pressure on the budget gap and the Council's financial stability.

### 5. Strategy Resource Allocation

The Council provides updates during the year and any changes during the year are reflected in the revised budget. This was agreed in January 2018, as usual, as part of the MTFS (Medium Term Financial Strategy) for 2018/19. This is supported by regular budget monitoring during the year, monthly to officers and quarterly to Members.

# NARRATIVE STATEMENT

The MTFS approved for 2018-21 in January 2018, including the revised budget for 2017/18, was:

 <b>WATFORD BOROUGH COUNCIL</b>	<b>Medium Term Financial Strategy 2018-21</b>				
	<b>2017/18 Original £000s</b>	<b>2017/18 Revised £000s</b>	<b>2018/19 Original £000s</b>	<b>2019/20 Original £000s</b>	<b>2020/21 Original £000s</b>
Corporate Strategy & Communications	823	1,057	841	853	865
Place Shaping & Performance	(4,521)	(4,319)	(4,594)	(4,673)	(4,626)
Strategic Finance	2,195	2,331	2,201	2,207	2,227
Service Transformation	1,852	2,480	861	878	897
Community & Environmental	8,950	9,108	8,913	9,072	9,093
Democracy & Governance	3,172	3,236	3,457	3,431	3,451
HR Shared Service	581	590	622	635	642
<b>Net cost of services</b>	<b>13,051</b>	<b>14,482</b>	<b>12,301</b>	<b>12,404</b>	<b>12,549</b>
<b>Corporate Budgets</b>					
Dividends & Interest earned	(1,550)	(1,585)	(282)	(282)	(282)
Vacancy provision	(95)	(95)	(95)	(95)	(95)
Apprentice Levy	30	30	30	30	30
Internal support to capital programme	(552)	(552)	(676)	(676)	(676)
Contingency	249	255	221	220	221
Interest payable	130	130	130	130	130
Pension Fund deficit payments	2,249	2,249	2,349	2,449	2,449
Major Projects (PMB/Commercialisation)	750	750	0	0	0
<b>Sub-Total</b>	<b>1,211</b>	<b>1,181</b>	<b>1,678</b>	<b>1,777</b>	<b>1,778</b>
<b>Financial Planning</b>					
Unavoidable Growth	0	0	795	700	925
Additional 1% pay award	0	0	94	197	300
Watford 2020 reversal from previous MTFS	0	0	1,000	1,000	0
Discretionary growth	0	0	166	76	75
Income & Efficiencies	0	0	(23)	(23)	(23)
Net changes to Temporary Accommodation	0	(535)	(535)	(535)	(535)
Increase in management fee income from Leisure operator	0	0	(182)	(456)	(772)
Savings achieved from new Parking enforcement contract	0	0	(110)	(157)	(157)
Net effect of Fees & Charges	0	0	(344)	(415)	(391)
Impact of Capital Programme	0	0	(25)	(63)	(63)
Increase in commercial rent target	0	(210)	(199)	0	(395)
Additional income from Riverwell	0	(3,157)	(960)	(2,625)	0
Additional income from Hart Homes	0	0	(170)	(289)	(289)
Additional income from Town Hall	0	0	0	(143)	(573)
Borrowing costs	0	0	33	112	0
<b>Sub-Total</b>	<b>0</b>	<b>(3,902)</b>	<b>(459)</b>	<b>(2,621)</b>	<b>(1,899)</b>
<b>Total Net Expenditure</b>	<b>14,262</b>	<b>11,761</b>	<b>13,520</b>	<b>11,560</b>	<b>12,428</b>
<b>Planned Use of Reserves</b>					
Contributions to reserves	0	3,157	1,082	2,782	157
Contributions from reserves	(886)	(2,089)	(100)	(200)	(200)
<b>Sub-Total</b>	<b>(886)</b>	<b>1,068</b>	<b>982</b>	<b>2,582</b>	<b>(43)</b>
<b>Funding</b>					
Council Tax	(8,170)	(8,170)	(8,503)	(8,587)	(8,673)
Revenue Support Grant	(565)	(565)	(114)	0	0
Business Rates	(2,452)	(2,452)	(3,332)	(3,002)	(3,002)
New Homes Bonus	(2,098)	(2,098)	(1,015)	(691)	(577)
(Surplus)/Deficit on collection fund	(250)	(290)	(181)	(250)	(250)
Other smaller grants/contributions	(94)	(94)	0	0	0
<b>Sub-Total</b>	<b>(13,629)</b>	<b>(13,669)</b>	<b>(13,144)</b>	<b>(12,530)</b>	<b>(12,501)</b>
<b>Total Funding &amp; Use of Reserves</b>	<b>(14,515)</b>	<b>(12,601)</b>	<b>(12,162)</b>	<b>(9,948)</b>	<b>(12,544)</b>
<b>Gap</b>	<b>(253)</b>	<b>(841)</b>	<b>1,358</b>	<b>1,612</b>	<b>(117)</b>
<b>Reserves - opening balances</b>	<b>(19,467)</b>	<b>(11,086)</b>	<b>(13,478)</b>	<b>(16,978)</b>	<b>(17,949)</b>
Planned use of reserves	886	(1,552)	(4,858)	(2,582)	43
Gap funded from reserves	(253)	(841)	1,358	1,612	(117)
<b>Reserves - closing balances</b>	<b>(18,834)</b>	<b>(13,478)</b>	<b>(16,978)</b>	<b>(17,949)</b>	<b>(18,022)</b>
<b>Council Tax Rate Calculation</b>					
Council tax base	32,062.1	32,062.1	32,393.9	32,717.8	33,045.0
Council tax at band D (income ÷ base)	£ 254.84	£ 254.84	£ 262.46	£ 262.46	£ 262.46

## NARRATIVE STATEMENT

For Capital spend, 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.

### 6. Performance

The financial performance below is in the same format as that used to report to Members during the financial year. It reflects the amount of spend to be met by district taxpayers and the balance held for working capital. These management account figures differ from the Net Cost of Service in the financial accounts, Comprehensive Income and Expenditure Statement (CIES), because the CIES also includes costs relating to depreciation, revenue spend funded from capital under statute and certain pension adjustments.

The General Fund Working Balance of £1.414m (2016/17: £1.412m) remained almost unchanged after allowing for use of reserves and budgets carried forward.

The major service variances at outturn were:

- Commercialisation projects (£0.500m)
- Delays in Development Projects (£0.259m)
- Additional recycling income (£0.118m)
- Leisure development work (£0.111m)
- Staff vacancies (£0.063m)
- Lower utility Costs (£0.062m)
- Service transformation (£0.057m)
- Incidence of new rental income streams £0.247m

## NARRATIVE STATEMENT

The table below compares the revised budget for the year against the outturn:

Income and Expenditure Account	2017/18	
	Revised Budget £000	Net Outturn £000
<b>Service Area</b>		
Service Transformation	2,480	2,266
Community & Environmental	9,108	8,797
Democracy & Governance	3,236	3,063
Place Shaping & Performance	(5,064)	(4,430)
Corporate Strategy & Comms	1,057	948
Human Resources	590	593
Strategic Finances	354	(346)
<b>Net General Fund</b>	<b>11,761</b>	<b>10,891</b>
<b>Funding</b>		
Council Tax	(8,170)	(8,170)
Revenue Support Grant	(565)	(565)
Business Rates	(2,742)	(2,742)
Government Grants & Other Funding	(2,192)	(2,251)
<b>Total Funding</b>	<b>(13,669)</b>	<b>(13,728)</b>
Net General Fund less total funding	(1,908)	(2,837)
less		
budgets carried forward	0	1,056
transfers to /(from) reserves	1,068	1,783
Transfers and adjustments subtotal	1,068	2,839
<b>(Surplus) / Deficit for the year</b>	<b>(840)</b>	<b>(2)</b>
Opening balance	(1,412)	(1,412)
<b>Closing Working balance</b>	<b>(2,252)</b>	<b>(1,414)</b>

### Capital Activities

#### Capital Outturn 2017/18

Capital expenditure is incurred on assets that benefit the community over a number of years. Capital expenditure for 2017/18 is shown below:-

Service	2017/18		
	Revised Budget £000	Actual Outturn £000	Variance £000
Service Transformation	1,070	1,009	(61)
Community & Environmental	3,478	2,711	(767)
Democracy & Governance	755	594	(161)
Place Shaping & Performance	47,837	41,376	(6,461)
Strategic Finance	762	743	(19)
<b>Total</b>	<b>53,902</b>	<b>46,433</b>	<b>(7,469)</b>

## NARRATIVE STATEMENT

Key capital projects include the acquisition of four investment properties, namely two parcels of industrial units at Coleshill as well as commercial property acquisitions in Wallingford and Wakefield which total £24.110m. The Council is also involved with two local major schemes at Watford Riverwell and Watford Business Park where spend during the year was £5.307m and £4.644m respectively. Other notable projects relate specifically to housing and homelessness initiatives of £5.888m as well as community schemes including Cassiobury Park of £0.936m and play facilities of £0.552m.

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

The Council completed and funded £46.433m of capital works in 2017/18 of which £20.668m was funded from capital receipts, £1.686m from grants & contributions, £3.958m from reserves, £0.687m from Section 106 receipts and £19.434m from internal borrowing.

In 2017/18 the Council did not borrow externally as the programme was funded from its existing resources. All historic capital expenditure, including existing loans, have been fully funded and therefore there is no capital financing requirement.

### **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).

## NARRATIVE STATEMENT

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 2018 of £58.049m. This has decreased from £63.068m at 31 March 2017 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 £3.490m in 2017/18 of which £2.249m was to reduce the deficit on the Pensions Fund.

### **Performance Monitoring**

The Council has a thorough performance monitoring system. This is for Members and fully in the public domain on the Council's website. There are regular, quarterly reports to the Overview and Scrutiny Committee for key performance indicators (kpi's). This is supported by the work of the Outsourced Services Scrutiny Panel, which receives quarterly reports and regular presentations with question and answer sessions on services within its scope.

## **7. Outlook**

The MTFS outlook on revenue presented in January 2018 identified gaps in both 2018/19 and 2019/20. It is intended to fund these by the use of reserves. During the next two years, the Council will be undertaking its transformation programme Watford 2020. This programme will modernise the council's offer to its residents, and by 2020/21 will also deliver a mix of cost savings and extra income that will lead to a net cost base that will be £1.2m lower. The revenue outlook over the MTFS is therefore for a sustainable, balanced budget. This includes allowing for all the revenue effects of capital spend.

There will be significant capital spend over the next MTFS. Some of this will be directly by the council e.g. Town Hall redevelopment, but there will also be extensive other spend through joint ventures e.g. Watford Riverwell with Kier, and by the private sector improving its assets e.g. the intu centre expansion. By the completion of the next MTFS, it is anticipated that the Council will be receiving significantly more revenue income from investment in property. This approach is always strategically driven, and balances the treasury management considerations of liquidity, security and return.

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

The Council's 2018/19 Original Budget for capital was set at £32.766m of which funding will come from capital receipts, grants & contributions including Section 106, reserves and internal borrowing. The Council is also considering if external debt financing is necessary subject to how these schemes complete and the timing of cash inflows from future capital receipts.

# NARRATIVE STATEMENT

## **Borrowing Facilities and Capital Borrowing**

The Council currently has an approved operational boundary limit of £25m (authorised limit of £30m) to facilitate major regeneration schemes within the borough including Watford Riverwell and Watford Business Park.

At 31 March 2018 Council borrowings were as follows:-

- £6m of Growing Places funding from the Local Enterprise Partnership (LEP) to fund investment in Watford Riverwell; and
- £1.5m from LEP for the redevelopment of Watford Business Park.

Repayment dates are currently anticipated for March 2020.

There may be a requirement to borrow in the medium term (2018-2021) for the redevelopment of the Town Hall.

## **8. Basis of Preparation and Presentation**

The external audit assessment of planning materiality is 2% of gross revenue spend £1,662k. Performance materiality has been set at £1,247k, which represents 75% of materiality and is the amount used to determine the extent of audit procedures.

In addition our external auditors report to Committee all audit differences in excess of £83.5k.

All joint ventures are fully identified to EY who have assessed the details for materiality and inclusion in the Group Accounts. To date, there is only one joint venture that has sufficient materiality to require inclusion in Group Accounts. This is our joint venture with Kier in the Watford Health Campus Partnership. These accounts have been audited by PwC under instruction from EY and are added in the Group Accounts as necessary. The extent of additions in future years will fully reflect the financial progress of these partnerships over time.

## 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 & Wales) Regulations 2015.
- 4 This Governance Statement explains how the Council has maintained sound governance during the financial year 2017/18 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 2018 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

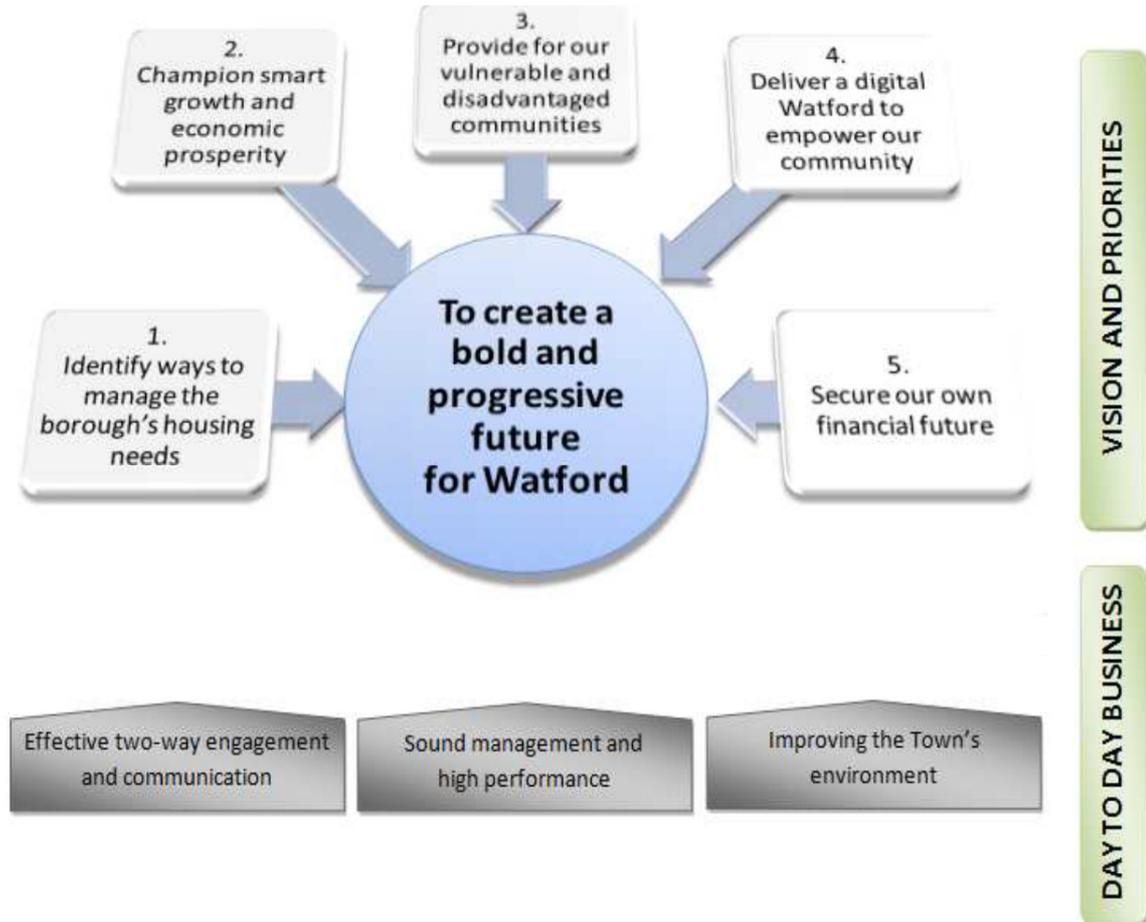
- 9 The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering good governance in local government: Framework – Addendum' include the following:

## General

- 10 Watford Borough Council operates an elected 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 of 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.

The Council began a transformation programme of major change and improvement during the year - Watford 2020. This programme was and is about transforming how the Council operates, providing a digital infrastructure for the town to provide local businesses with a competitive advantage and enhance the quality of life of residents.

## 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 MTFs is reported quarterly to Cabinet and Budget Panel where variations to the strategy are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts at the end of a financial year are subject to formal approval by the Audit Committee (but is also reported to Cabinet and Budget Panel).

## 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 Corporate Risk Register which was updated and approved by the Audit Committee in December 2017 and covers major issues that will affect the achievement of the council's key objectives. The Corporate Risk Register is at a strategic/high level and is complemented by detailed project and service area registers. The Corporate Risk Register was reviewed by the Risk Management and Business Continuity Steering Group in January 2018 and then by audit committee in March 2018.
- 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 have established twelve neighbourhood forums, which mirror the Borough's ward boundaries and each has 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 Council 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;
  - To receive questions from the public, which are then debated by the Councillors;
  - To receive petitions from the public, which are debated by the Councillors;
  - To receive questions from Councillors with their response, these are not debated;
  - To receive motions from Councillors, which are then debated;
  - To consider any recommendations from Committees or Working Parties.
- 44 The Council met four times during 2017/18 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 seven times during 2017/18.

## **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 agreeing the final reports;
  - Setting a rolling scrutiny work programme.

- 51 The committee met six times in 2017/18.

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 2017/18.

## **Member Panels**

53 There have been a number of cross-party Member Panels and Task Groups to review and monitor various areas of Council activity, e.g Community Safety Partnership Working Group, Leisure Management Contract Working Group, Management of Conservation Areas Task Group, Neighbourhood Forum Task Group, The Parking Strategy Task Group, Voluntary Sector Commissioning Framework (Community Centres) Task Group and the Chief Officers Pay Panel.

## **Standards Committee**

54 The Standards Committee is set up as and when required to consider matters of Member conduct.

55 There was one meeting of this committee in 2017/18.

## **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, 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.

## Performance Management

- 60 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.
- 61 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

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

- 64 The Audit Committee has comprised five members and met four times during 2017/18.
- 65 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

- 66 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.

67 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 preceding 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.

68 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.

69 The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2017/18 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 2017/18.
- 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**

70 External auditors, Ernst & Young LLP, 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.

71 The Annual Audit and Inspection Letter 2016/17 was presented to the Audit Committee in September 2017 and the main conclusions for the year were:

- The 2016/17 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 2017.

72 The Local Government contract for the Council was awarded to EY (Ernst & Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017 EY were appointed by PSAA as auditor for Watford Borough Council for 2018/19 onwards.

**SIGNIFICANT GOVERNANCE ISSUES**

73 The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No outstanding matters were brought forward from 2016/17.

**Certification Statement from the Elected Mayor and the Managing Director**

74 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** ..... **Date**  
**Peter Taylor**  
**Mayor**

**Signed** ..... **Date**  
**Manny Lewis**  
**Managing Director**

# EXPLANATION OF CORE FINANCIAL STATEMENTS

## Statement of Movement in Reserves (Page 33)

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 and fair cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council tax setting. The net (increase)/decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

## Comprehensive Income and Expenditure Statement (Page 34)

This statement shows the true and fair view of 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, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## Balance Sheet (Page 35)

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 (unusable reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Cash Flow Statement (Page 36)

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 to (i.e. borrowing by) the Council.

## EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is a note to the Financial Statements, and provides a link between the figures reported in the Narrative Statement and the CIES (Comprehensive Income and Expenditure Statement).

### Expenditure and Funding Analysis

2016-17				2017-18		
Net Expenditure chargeable to General Fund £000	Adjustments (Note7) £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to General Fund £000	Adjustments (Note7) £000	Net Expenditure in the CIES £000
6,561	2,607	9,168	Corp Strategy & Client Service	948	127	1,075
5,095	1,011	6,106	Community Services	8,798	3,494	12,292
3,410	(107)	3,303	Democracy & Governance	2,586	635	3,221
(5,160)	9,115	3,955	Deputy MD	0	0	0
592	18	610	Managing Director	0	0	0
577	43	620	Human Resources	593	88	681
0	0	0	Place Shaping & Performance	3,288	5,676	8,964
0	0	0	Service Transformation	2,266	1,113	3,379
4,931	1,438	6,369	Strategic Finance	4,173	6	4,179
<b>16,006</b>	<b>14,125</b>	<b>30,131</b>	<b>Net Cost of Services</b>	<b>22,652</b>	<b>11,139</b>	<b>33,791</b>
(8,664)	(29,809)	(38,473)	Other Income and Expenditure	(27,745)	(6,878)	(34,623)
<b>7,342</b>	<b>(15,684)</b>	<b>(8,342)</b>	<b>(Surplus)\Deficit on Provision of Services</b>	<b>(5,093)</b>	<b>4,261</b>	<b>(832)</b>
(7,404)			Transfer (From) \ To Reserves	5,091		
<b>(62)</b>			<b>(Surplus) or Deficit as per Outturn</b>	<b>(2)</b>		
(1,350)			<b>Opening General Fund Balance</b>	(1,412)		
(62)			(Surplus) or Deficit on Provision of Services	(2)		
<b>(1,412)</b>			<b>Closing General Fund Balance</b>	<b>(1,414)</b>		

The adjustments reflect changes needed to move from the Funding Basis i.e. statutory requirements, to the Accounting basis i.e. true and fair view

### Note to Expenditure and Funding Analysis

2016-17					2017-18			
Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
2,636	61	(90)	2,607	Corp Strategy & Client Service	0	134	(7)	127
939	234	(162)	1,011	Community Services	3,118	380	(4)	3,494
363	104	(574)	(107)	Democracy & Governance	335	305	(5)	635
2,896	168	6,051	9,115	Deputy MD	0	0	0	0
0	16	2	18	Managing Director	0	0	0	0
0	40	3	43	Human Resources	0	88	0	88
				Place Shaping & Performance	5,205	487	(16)	5,676
				Service Transformation	919	202	(8)	1,113
929	9	500	1,438	Strategic Finance	6	0	0	6
<b>7,763</b>	<b>632</b>	<b>5,730</b>	<b>14,125</b>	<b>Net Cost of Services</b>	<b>9,583</b>	<b>1,596</b>	<b>(40)</b>	<b>11,139</b>
			<b>(29,809)</b>	Other Income and Expenditure from the funding analysis			(6,878)	<b>(6,878)</b>
			<b>(15,684)</b>	Difference between General Fund (surplus)\deficit and Comprehensive Income and Expenditure Statement (surplus) \ deficit				<b>4,261</b>

## MOVEMENT IN RESERVES STATEMENT (MIRS)

2017/18	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>		(1,412)	(15,221)	(11,966)	(1,670)	(30,269)	(176,274)	(206,543)
Total comprehensive income and expenditure		(832)				(832)	(7,160)	(7,992)
Adjustments between accounting basis, and funding basis under regulations	7	(4,261)		10,979	(485)	6,233	(6,233)	0
Transfer to \ (from Earmarked Reserves)		5,091	(1,130)		(4)	3,957	(3,957)	0
<b>Total increase \ (decrease) during the year</b>		(2)	(1,130)	10,979	(489)	9,358	(17,350)	(7,992)
<b>Balance at 31 March 2018</b>		(1,414)	(16,351)	(987)	(2,159)	(20,911)	(193,624)	(214,535)

2016/17 Restated	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>		(1,350)	(23,783)	(17,486)	(2,594)	(45,212)	(144,266)	(189,478)
Total comprehensive income and expenditure		(8,855)	0	0	0	(8,855)	(8,209)	(17,064)
Adjustments between accounting basis, and funding basis under regulations	7	16,797	0	5,520	924	23,241	(23,241)	0
Transfer to \ (from earmarked reserves)		(8,004)	8,562	0	0	558	(558)	0
<b>Total increase \ (decrease) during the year</b>		(62)	8,562	5,520	924	14,944	(32,008)	(17,064)
<b>Balance at 31 March 2017</b>		(1,412)	(15,221)	(11,966)	(1,670)	(30,269)	(176,274)	(206,543)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

<i>Restated</i>					2017/18		
2016/17					2017/18		
GROSS SPEND £000	GROSS INCOME £000	NET SPEND £000		Note	GROSS SPEND £000	GROSS INCOME £000	NET SPEND £000
			<b>Services</b>				
11,095	(1,927)	9,168	Corp Strategy & Client Service		1,258	(183)	1,075
8,731	(2,625)	6,106	Community Services		14,988	(2,696)	12,292
3,634	(331)	3,303	Democracy & Governance		3,927	(706)	3,221
8,517	(4,562)	3,955	Deputy MD		0	0	0
610	0	610	Managing Director		0	0	0
727	(107)	620	Human Resources		815	(134)	681
0	0	0	Place Shaping & Performance		15,391	(6,427)	8,964
0	0	0	Service Transformation		3,394	(15)	3,379
45,800	(39,431)	6,369	Strategic Finance		43,338	(39,159)	4,179
<b>79,114</b>	<b>(48,983)</b>	<b>30,131</b>	<b>Cost of Services</b>		<b>83,111</b>	<b>(49,320)</b>	<b>33,791</b>
			<b>Other Operating (Income)/Expenditure</b>				
		(879)	(Gains)/Losses on Disposal of Non-current Assets				(1,498)
		(9,915)	Unattached Capital Receipts	30b			(2,221)
		(2,133)	Other Operating (Income)/Expenditure				(3,371)
			<b>Financing and Investment (Income)/Expenditure</b>				
		29	Interest Payable and Similar Charges				(33)
		1,918	Net Interest on the Net Defined Benefit Liability/(Asset)				1,567
		(579)	Interest Receivable and Similar Income				(4,479)
		(5,519)	(Income)/Exp. relation to Investment Properties				(6,885)
		(5,025)	Investment Properties- Changes in their Fair Value	19a			(2,597)
			<b>Taxation and Non-Specific Grant (Income)</b>				
		(8,167)	Council Tax Income				(8,315)
		(2,600)	Non-domestic Rates Income and Expenditure				(1,557)
		(5,440)	Non-ringfenced Government Grants	9			(3,890)
		(676)	Capital Grants & Contributions	9			(1,344)
		<b>(8,855)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	8			<b>(832)</b>
		(13,734)	(Surplus) on Revaluation of PPE assets				<b>(1,243)</b>
		5,522	Remeasurement of the Net Defined Pension Liability / (Asset)	28			(5,917)
		<b>(8,212)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(7,160)</b>
		<b>(17,067)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(7,992)</b>

# BALANCE SHEET

31 March 2017			Note	31 March 2018	
£000	£000			£000	£000
		<b>Property, Plant and Equipment:</b>			
75,817		Land and Buildings	17	80,023	
11,777		Vehicles, Plant and Equipment	17	7,317	
1,056		Infrastructure Assets	17	687	
4,447		Assets Under Construction	17	1,424	
1,945		Heritage Assets	18	1,945	
142,355		Investment Properties	19a	168,950	
300		Surplus Assets	19a	605	
10,059		Long-term Investments	21	10,746	
12,739		Long Term Debtors	21	13,974	
	<b>260,495</b>	<b>Long Term Assets</b>			<b>285,671</b>
16		Inventories		16	
10,681		Short Term Debtors	22	10,707	
25,017		Short Term Investments	32	6,001	
9,483		Cash and Cash Equivalents	23	9,991	
	<b>45,197</b>	<b>Current Assets</b>			<b>26,715</b>
(24,382)		Short Term Creditors	25	(25,354)	
	<b>(24,382)</b>	<b>Current Liabilities</b>			<b>(25,354)</b>
72		Long-term Creditors- Deferred Liabilities	26	82	
(7,500)		Long-term Creditors- Loans	26	(7,500)	
(4,271)		Provisions	27	(7,030)	
(63,068)		Liability related to Defined Benefit Pension Scheme	28	(58,049)	
	<b>(74,767)</b>	<b>Long Term Liabilities</b>			<b>(72,497)</b>
	<b>206,543</b>	<b>Net Assets</b>			<b>214,535</b>
(11,966)		Capital Receipts Reserve	30b	(987)	
(15,221)		Earmarked Reserves	30c	(16,351)	
(1,412)		General Fund Balance	30d	(1,414)	
(1,670)		Capital Grants Unapplied	30e	(2,159)	
	<b>(30,269)</b>	<b>Usable Reserves</b>			<b>(20,911)</b>
114		Accumulated Absences Reserve		74	
(188,464)		Capital Adjustment Account	31b	(204,038)	
(3,970)		Collection Fund Adjustment Account	31c	(1,402)	
123		Deferred Capital Payments	31d	123	
(2,348)		Deferred Capital Receipts	31e	(1,806)	
76		Financial Instruments Adjustment Account		76	
63,068		Pensions Reserve	31f	58,049	
(44,873)		Revaluation Reserve	31g	(44,700)	
	<b>(176,274)</b>	<b>Unusable Reserves</b>			<b>(193,624)</b>
	<b>(206,543)</b>	<b>Total Reserves</b>			<b>(214,535)</b>

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

Date:

Signed .....  
**Derek Scudder**  
**Chairman of Audit Committee**

Date:

## CASH FLOW STATEMENT

2016/17			Note	2017/18	
£000	£000			£000	£000
8,855		<b>Net surplus or (deficit) on the provision of services</b>	CIES	832	
11,276		Adjustments to net surplus or deficit on the provision of services for non cash movements	24a	19,006	
(13,685)		Adjustments for items that are outflows in provision of services from investing and financing activities	24a	(11,748)	
	<b>6,446</b>	<b>Net cash inflows from Operating Activities</b>			<b>8,090</b>
1,537		<b>Investing Activities outflows</b>	24b	(4,704)	
(3,694)		<b>Financing Activities outflows</b>	24c	(2,878)	
	<b>4,289</b>	<b>Net increase in cash and cash equivalents</b>	23		<b>508</b>
	<b>5,706</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>			<b>9,483</b>
	<b>9,995</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>			<b>9,991</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1 Accounting Policies - Single Entity and Group Accounts

### 1.01 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 and the CIPFA Service Reporting Code of Practice 2017/18 (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 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.

## 1.06 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.

## 1.07 Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

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

#### The Local Government Pension Scheme

- the Local Government Scheme is accounted for as a defined benefits scheme
- the liabilities of Hertfordshire County Council Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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;
- 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## **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.

## **1.08 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.

## 1.09 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## 1.10 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.

## 1.11 Inventories and Long Term Contracts

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## 1.12 Investment Property

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

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

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

## 1.13 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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).

# NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## **1.13 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).

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

## **1.14 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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
- All other assets — fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value — EUV).

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

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

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

When decreases in value are identified:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

# NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

Depreciation commences in the year following acquisition.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 of Non-current Assets**

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.

## **1.15 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.

## **1.16 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## **1.17 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## **1.18 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.

## **1.19 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.

## **1.20 Jointly Controlled Operations and Jointly Controlled Assets**

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

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

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

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

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

The Joint Committee has one member from each of the constituent Councils. 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.

## 1.21 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.

## 1.22 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 2017/18 Code. The 2017/18 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 Code. The Code requires the consolidation of an entity's interest in associates. Joint ventures are accounted for in accordance with the implementation of IFRS 11 in the Code. The 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.

## 1.23 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.

## 1.24 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.

## 1.25 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.

## 1.26 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.

## 1.27 Fair Value

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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 2017/18.

For 2017-18 the following accounting standard changes that need to be reported relate to:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 24) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

### 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 a well established 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

Prior period adjustments have been done to reflect the following transactions:

- 1.To reflect the gross value of the transfer of land to Hart Homes (Watford) Ltd in respect of TRDCs £2.4M investment. Whilst the investment was shown in the 2017/18 Accounts, the land was transferred at the net value of nil.
- 2.Assets linked to the Watford Health Campus are re-valued as phases are completed. This adjustments reflects the £512,000 land value obtained in relation to the first phase.
- 3.A reclassification of a £2M investment in relation to the Health Campus from investments to a loan to correctly reflect the status of Watford Hospital within the development.

### 5 Events after the Balance Sheet date

There were no events which had a material impact between the year end and the drafting of the accounts in July 2018.

### 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 2018 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	Impact
Property, Plant and Equipment (PPE)	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 2017/18, The Council's actuaries advised that the net pensions liability had decreased by £3,205k as a result of estimates and assumptions being updated.
Arrears	At 31 March 2018, the Council had a short term sundry debtor balance of £15,985k. A review of significant balances suggested a provision for bad debts of £5,585k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. See Note 22.	If collection rates were to deteriorate an increasing level of doubtful debts would require an additional amount to be provided as a bad debt provision for 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 2018, plus 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"> <li>1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;</li> <li>2. For level 3 inputs, valuations based on: - Most recent valuations adjusted to current valuation by the use of indexation and impairment review.</li> </ol> <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 (Royal Institution of Chartered Surveyors) 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 RICS professional standards. 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>

### 7 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the CIES recognised by the Council within the year to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure, in accordance with proper accounting practice.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18	Note	Usable Reserves			Unusable Reserves £'000
		General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</b>					
Charges for depreciation and impairment of non-current assets	17a	(8,897)			8,897
Revaluation Losses on Non Current Assets	19	2,597			(2,597)
Amounts of non-current assets w/o on disposal/sale	31b	(5,169)			5,169
Capital grants & contributions applied	30e			2,374	(2,374)
Revenue expenditure funded from capital under statute	20	(1,113)			1,113
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants & contributions unapplied credited to the CIES	30e	2,859		(2,859)	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Use of Capital Receipts Reserve to finance new capital expenditure	30b		20,668		(20,668)
Proceeds from sale of long-term assets	30b	6,156	(6,156)		
Unattached capital receipts	30b	2,733	(2,733)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	30b		(800)		800
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
Amounts by which Council Tax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory reqts	31c	(2,568)			2,568
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>					
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 requirements	31a	39			(39)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Employer's pension contributions and direct payments to pensioners payable in year	31f	3,490			(3,490)
Reversal of items relating to retirement benefits debited or credited to the CI&E	31f	(4,388)			4,388
<b>Total Adjustments</b>		<b>(4,261)</b>	<b>10,979</b>	<b>(485)</b>	<b>(6,233)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Note	Usable Reserves			Unusable Reserves £'000
		General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account and Revaluation Reserve:</b>					
Charges for depreciation and impairment of non-current assets	17a	(6,122)			6,122
Revaluation Losses on Property, Plant and Equipment	31b	5,026			(5,026)
Amortisation of intangible assets	31b	(17)			17
Amounts of non-current assets w/o on disposal/sale part of the	31b	(648)			648
Capital grants & contributions applied	30e			5,799	(5,799)
Revenue expenditure funded from capital under statute	20	(1,624)			1,624
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Use of Capital Receipts Reserve to finance new capital expenditure	30b		12,411		(12,411)
Proceeds from sale of long-term assets	30b	1,527	(1,527)		
Unattached capital receipts	30b+e	10,524	(5,645)	(4,879)	
Transfer from Deferred Capital Receipts Reserve upon receipt of cash					
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>					
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			(8,667)
<b>Adjustments primarily involving the Accumulated Absences Reserve:</b>					
Amount by which officers remuneration charged to the CIES on an accruals basis is diff from remuneration chargeable in year in accordance with statutory req.		(20)			20
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Employer's pension contributions and direct payments to pensioners payable in year	31f	3,316			(3,316)
Reversal of items relating to retirement benefits debited or credited to the CI&E	31f	(3,550)			3,550
<b>Other adjustments to General Fund Balances</b>					
		(280)	281		(1)
<b>Total Adjustments</b>		<b>16,799</b>	<b>5,520</b>	<b>920</b>	<b>(23,239)</b>

### 8 Expenditure and Income analysed by Nature

2016/17 £'000		2017/18 £'000
(16,353)	Fees and Charges	(17,216)
(551)	Interest and Investment Income	(4,462)
(8,167)	Income From Council Tax	(8,315)
(9,915)	Other Income	(3,176)
(51,808)	Government Grants and Contributions	(50,814)
(552)	Support Services Recharge	(623)
<b>(87,346)</b>	<b>Total Income</b>	<b>(84,606)</b>
14,242	Employee Expenses	15,456
59,873	Other Service Expenditure	60,995
(5,750)	Depreciation, Amortisation and Impairment	7,255
0	Interest Payments	0
8,120	Gains / Losses on Fixed Assets	(1,499)
1,918	Pensions Adjustments	1,567
<b>78,403</b>	<b>Total Expenditure</b>	<b>83,774</b>
<b>(8,943)</b>	<b>(Surplus)/Deficit on Provision of Services (I&amp;E)</b>	<b>(832)</b>

### 9 Grant Income

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:-

2016/17 £'000		2017/18 £'000
	<b>Credited To Taxation and Non-Specific Grant Income</b>	
(93)	Council Tax Transition Grant	(92)
(3,515)	New Homes Bonus	(2,105)
(60)	Non Specific Grant	(126)
(1,311)	Revenue Support Grant	(565)
(676)	Section 106 Contributions	(1,344)
(462)	Other	(1,002)
<b>(6,117)</b>	<b>Subtotal Grant Income Credited to Taxation and Non-Specific Grant Income</b>	<b>(5,234)</b>
	<b>Credited To Services</b>	
(45)	Arts Council - Lottery	(44)
(25)	Building Safer Communities	(15)
(28)	CCTV	(28)
(24)	Cemeteries	(25)
(362)	Housing & Council Tax Benefit Administration Grant	(106)
(109)	DCLG Local Council Council Tax Scheme	0
(38,626)	DWP Housing Benefit Grant	(38,520)
(59)	DWP other	0
(206)	Elections	(442)
(34)	Environmental Health	17
(5)	Housing - Homelessness	(86)
(77)	Housing Refugees	(55)
(6)	Land Charges	0
0	Museum	(2)
0	New Burdens	(12)
0	NNDR - Cost of Collection Grant	(167)
(67)	Public Health & Nuisance	(33)
(27)	Planning	0
(55)	Little Cassiobury	(344)
(85)	Sports Development	(90)
(39)	Taxi Marshall Scheme	4
(9)	Transport	0
(475)	Waste Management	(656)
<b>(40,363)</b>	<b>Subtotal Grant Income Credited to Services</b>	<b>(40,604)</b>
<b>(46,480)</b>	<b>Total Grant Income</b>	<b>(45,838)</b>

### 10 Joint Operations

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

### 11 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections, for 2016/17 and 2017/18 Ernst & Young.

2016/17 £'000		2017/18 £'000
59	Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year.	67
24	Fees payable for other services provided by external auditors during the year.	0
<b>83</b>		<b>67</b>

### 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 £496,012 (2016/17: £481,521).

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:-

2016/17 No of Employees	Remuneration Band	2017/18 No of Employees
8	£50,000 - £54,999	12
3	£55,000 - £59,999	4
2	£60,000 - £64,999	4
0	£65,000 - £69,999	0
3	£70,000 - £74,999	1
1	£75,000 - £79,999	2
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	1
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
1	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
1	£135,000 - £139,999	1
0	£140,000 - £144,999	0
0	£145,000 - £149,999	0
0	£150,000 - £154,999	0
0	£155,000 - £159,999	0
<b>19</b>		<b>25</b>

The Director of Finance is the statutory Chief Finance officer (S151) and is a shared post with Three Rivers District Council (TRDC) 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 full cost is shown in the TRDC accounts.

The following tables provide additional detail for senior officers remuneration where salary for the establishment post falls between

2017/18	Salary Including Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total Remuneration £
Post					
Managing Director	139,199	0	0	25,334	164,533
Deputy Managing Director: Place Shaping and Corp. Performance	100,000	0	0	18,200	118,200
Head of Community & Environmental Services	73,353	0	0	13,401	86,754
Head of Corporate Strategy & Communications	52,861	0	0	9,621	62,482
Head of Democracy & Governance (Monitoring Officer)	75,932	0	0	13,870	89,802
Head of Service Transformation	63,202	0	0	11,503	74,705
Total	504,547	0	0	91,929	596,476

2016/17	Salary Including Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total Remuneration £
Post					
Managing Director	137,821	0	0	21,913	159,734
Deputy Managing Director	30,682	0	0	4,878	35,560
Head of Community & Customer Services	72,626	0	0	11,548	84,174
Head of Corporate Strategy & Client Services	121,707	0	0	11,548	133,255
Head of Democracy & Governance (Monitoring Officer)	75,187	0	0	11,945	87,132
Head of Regeneration & Development	31,495	0	72,006	4,876	108,377
Total	469,518	0	72,006	66,708	608,232

There were no bonuses given during either period.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14 Termination Benefits

The Council terminated the contracts of 8 employees in 2017/18, incurring liabilities of £127,087 (2016/17: £257,010). Of this total, £127,087 (2016/17: £257,010) was payable in the form of compensation for loss of office and none (2016/17: 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:-

2016/17			Cost Band	2017/18		
Compulsory Redudancy	Other Departutures	Total Cost £		Compulsory Redudancy	Other Departutures	Total Cost £
10	2	102,591	£0 - £20,000	4	2	38,810
3	0	82,413	£20,001 - £40,000	1	0	29,955
0	0	0	£40,001 - £60,000	0	1	58,322
1	0	72,006	£60,001 - £80,000	0	0	0
0	0	0	£80,001 - £100,000	0	0	0
0	0	0	£100,001 - £150,000	0	0	0
14	2	257,010		5	3	127,087

The total cost of £127,087 in the table above has been charged to the Council's CIES in 2017/18.

### 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.

Details of grant funding transactions with government departments and agencies are set out in Note 9 to the Core Financial Statements. The Council also paid precepts to Hertfordshire County Council, Hertfordshire Police Authority and Parish Council's with which details can be found in the Collection Fund Accounts.

#### Members and Senior Officers

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

Name	Role	Entity	Name of Entity	Details
Karen Collett Manny Lewis Joanne Wagstaffe	Councillor Managing Director Director of Finance	Board Member Clerk Treasurer	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 2017/18, Watford received a contribution of £50,000 (2015-17 £100,000)
Joanne Wagstaffe Alan Gough	Director of Finance Head of Community & Customer Services	Director Director	Hart Homes (Watford) Limited	Council has a 50% stake
Alan Gough Nick Fenwick Bob Watson Martin Henwood	Head of Community & Customer Services Deputy Managing Director Head of Finance (shared services)	Director Director Director	Watford Commercial Services Ltd	Wholly owned subsidiary of Council  to 16 March 2018 from 17 March 2018 (linterim)
Nick Fenwick Bob Watson Martin Henwood	Deputy Managing Director Head of Finance (shared services)	Board Member Board Member	Hart Homes Development  (Watford) LLP	A limited liability partnership between Watford Commercial Services Limited and Clarendon Living Limited to 16 March 2018 from 17 March 2018 (linterim)
Nick Fenwick Manny Lewis Joanne Wagstaffe	Deputy Managing Director Managing Director Director of Finance	Board Member Board Member Board Member	Watford Health Campus LLP	Set up in June 2013 in which the Council us a 50:50 partner with Kier Property Investment Ltd. The LLP is a Local Asset Backed Vehicle (LABV) with Kier to redevelop the land neighbouring Watford Hospital. The council has made a total of £8.2m equity loan notes to date of which £2m has been paid back during 2017/18.
Stephen Cavinder	Councillor	Board Member	Citizen's Advice Bureau	Council has provided funding in excess of £204,190 plus the use of premises at St Mary's Church Yard.
Aga Dychton Stephen Bolton	Councillor Councillor	Representative Representative	Wellspring Church Watford	Occasional transactions in the normal course of business

## NOTES TO THE CORE FINANCIAL STATEMENTS

Name	Role	Entity	Name of Entity	Details
Rabi Martins	Councillor	Representative	Hertfordshire Police Crime Panel	No transactions identified between Council and Entity
Derek Scudder	Councillor	Representative	Morrison & Cordery Almshouse Charity	Occasional transactions in the normal course of business
Dorothy Thornhill	Mayor	Declaration of Interest	Herts Leaders Group	Routine business transactions with regard invoicing
			Local Govt Information Unit	No transactions identified between Council and Entity
			East of England Local Govt Association	Routine business transactions with regard invoicing Watford Borough Council for services supplied
			Local Govt Association General Assembly Eastern region Local Govt Conference	No transactions identified between Council and Entity
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
Derek Scudder	Councillor	Declaration of Interest	West Herts Golf Club Consultative Committee	Rent received from West Herts Golf Club of £70,000 per annum (2016/17 £70,000) as well as occasional transactions in the normal course of business
Jaftar Dhindsa	Councillor			
Daren Walford	Councillor	Appointed Member	Hertfordshire Waste Mgt Group	Occasional transactions in the normal course of business
Peter Taylor	Councillor	Appointed		
Peter Taylor	Councillor	Representative	Hertfordshire Sustainability Forum	Occasional transactions in the normal course of business
Iain Sharpe	Councillor	Representative	PATROL Adjudication Joint Committee	Occasional transactions in the normal course of business
Tim Williams	Councillor	Representative	Watford Workshop	Occasional transactions in the normal course of business
Mo Mills	Councillor	Trustee	West Watford Community Assoc	Occasional transactions in the normal course of business
Peter Jeffree	Councillor	Board Member	Watford Community Hsing	
		Representative	Herts Building Preservation Trust	Occasional transactions in the normal course of business
Kareen Hastrick	Councillor	Committee Member	Shopmobility Watford	Occasional transactions in the normal course of business
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

## NOTES TO THE CORE FINANCIAL STATEMENTS

The details of the transactions with the Council's pension fund are provided in Note 28 to the Core Financial Statements.

### 16 Partnership Working

2016/17 Total Net Cost £'000	Services	2017/18		
		Provided by WBC £'000	Provided by TRDC £'000	Total Net Cost £'000
1,522	Local Tax Collection	0	1,508	1,508
1,805	Housing Benefits	0	1,663	1,663
1,292	Finance	0	1,212	1,212
668	HR	801	0	801
1,434	ICT	1,355	0	1,355
<b>6,721</b>	<b>Net Cost of Services / Operating Expenditure</b>	<b>2,156</b>	<b>4,383</b>	<b>6,539</b>
(4,047)	Paid by Watford Borough Council	(1,358)	(2,595)	(3,953)
(2,674)	Paid by Three Rivers District Council	(798)	(1,788)	(2,586)
0	(Surplus) / Deficit for the year	0	0	0

### 17 Property, Plant and Equipment

#### (a) Movement of Property, Plant and Equipment

2017/18	Assets Under Constr'n £'000	Land & Building £'000	Plant & Equipment £'000	Infra- Structure £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2017	4,447	79,644	28,453	3,088	115,632
Additions - Capital Programme	0	3,357	3,319	35	6,711
Additions - Finance Leases	29	0	0	0	29
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	474	0	0	474
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	(1,154)	(3,073)	0	0	(4,227)
Derecognition - Disposals	0	(330)	0	0	(330)
Assets reclassified	(1,898)	5,920	(5,010)	0	(988)
<b>At 31 March 2018</b>	<b>1,424</b>	<b>85,992</b>	<b>26,762</b>	<b>3,123</b>	<b>117,301</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
At 1 April 2017	0	(3,827)	(16,676)	(2,032)	(22,535)
Depreciation Charge	0	(2,651)	(2,769)	(404)	(5,824)
Depreciation written out to the Revaluation Reserve	0	509	0	0	509
<b>At 31 March 2018</b>	<b>0</b>	<b>(5,969)</b>	<b>(19,445)</b>	<b>(2,436)</b>	<b>(27,850)</b>
<b>Balance Sheet Value at 31 March 2018</b>	<b>1,424</b>	<b>80,023</b>	<b>7,317</b>	<b>687</b>	<b>89,451</b>
<b>Balance Sheet Value at 1 April 2017</b>	<b>4,447</b>	<b>75,817</b>	<b>11,777</b>	<b>1,056</b>	<b>93,097</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	Assets Under Constr'n £'000	Land & Building £'000	Plant & Equipment £'000	Infra- Structure £'000	Total £'000
<b>Cost or valuation</b>					
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
Disposals	0	(2,400)	0	0	(2,400)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	12,340	0	0	12,340
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	0	(31)	0	0	(31)
Assets reclassified	300	240	0	0	540
<b>At 31 March 2017</b>	<b>4,447</b>	<b>79,644</b>	<b>28,453</b>	<b>3,088</b>	<b>115,632</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
At 1 April 2016	0	(2,380)	(13,967)	(1,466)	(17,813)
Depreciation Charge	0	(2,846)	(2,709)	(566)	(6,121)
Depreciation written out to the Revaluation Reserve	0	1,399	0	0	1,399
<b>At 31 March 2017</b>	<b>0</b>	<b>(3,827)</b>	<b>(16,676)</b>	<b>(2,032)</b>	<b>(22,535)</b>
<b>Balance Sheet Value at 31 March 2017</b>	<b>4,447</b>	<b>75,817</b>	<b>11,777</b>	<b>1,056</b>	<b>93,097</b>
<b>Balance Sheet Value at 1 April 2016</b>	<b>2,964</b>	<b>65,216</b>	<b>7,255</b>	<b>1,597</b>	<b>77,032</b>

### (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.

Revaluations	Land & Building £'000	Plant & Equipment £'000	Infra- Structure £'000	Total £'000
Carried at historical cost	0	26,762	3,123	29,885
Additions valued at current value as at:				
31/03/2018	6,348	0	0	6,348
31/03/2017	23,298	0	0	23,298
31/03/2016	42,355	0	0	42,355
31/03/2015	8,154	0	0	8,154
31/03/2014	5,837	0	0	5,837
<b>Total cost at 31 March 2018 carried forward</b>	<b>85,992</b>	<b>26,762</b>	<b>3,123</b>	<b>115,877</b>

### (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 (Note 1.17). Depreciation commences in the year following acquisition. Freehold land, Investment Properties, Assets under construction, Surplus Assets and Heritage Assets are not depreciated.

## 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18	Musical Instrument £'000	Statues, Sculptures & War Memorials £'000	Works of Art £'000	Civic Regalia £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2017	400	645	700	200	1,945
At 31 March 2018	<b>400</b>	<b>645</b>	<b>700</b>	<b>200</b>	<b>1,945</b>

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

### 19 Investment Properties and Surplus Assets

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

2017/18	Investment Properties £'000	Surplus Assets £'000	Total £'000
<b>At 1 April 2017</b>	<b>142,355</b>	<b>300</b>	<b>142,655</b>
Additions	28,375	0	28,375
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	955	1,642	2,597
Derecognition - Disposals	(3,685)	(1,642)	(5,327)
Derecognition - Other	2	0	2
Assets reclassified	948	305	1,253
<b>At 31 March 2018</b>	<b>168,950</b>	<b>605</b>	<b>169,555</b>
<b>Balance Sheet Value at 31 March 2018</b>	<b>168,950</b>	<b>605</b>	<b>169,555</b>
<b>Balance Sheet Value at 1 April 2017</b>	<b>142,355</b>	<b>300</b>	<b>142,655</b>

2016/17	Investment Properties £'000	Surplus Assets £'000	Total £'000
<b>At 1 April 2016</b>	<b>120,033</b>	<b>9,300</b>	<b>129,333</b>
Additions	9,998	512	10,510
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provisions of services	13,513	(9,512)	4,001
Derecognition - Disposals	(648)	0	(648)
Assets reclassified	(541)	0	(541)
<b>At 31 March 2017</b>	<b>142,355</b>	<b>300</b>	<b>142,655</b>
<b>Balance Sheet Value at 31 March 2017</b>	<b>142,355</b>	<b>300</b>	<b>142,655</b>
<b>Balance Sheet Value at 1 April 2016</b>	<b>120,033</b>	<b>9,300</b>	<b>129,333</b>

#### Fair Value Hierarchy

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

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

The fair value of investment property has been measured using the Investment Method of Valuation. The valuers have used a desktop valuation relying on data provided by 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2018 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.

2016/17 £'000		2017/18 £'000
(6,917)	Rental income from Investment Property	(7,444)
1,399	Direct operating expenses arising from Investment properties	805
<b>(5,518)</b>	<b>Net (gain) /loss</b>	<b>(6,639)</b>

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

## 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.

2016/17 £'000		2017/18 £'000
<b>2,557</b>	Opening Capital Financing Requirement	17,340
	Capital Investment	
10,338	Property, Plant and Equipment	6,711
9,998	Investment Properties	28,375
17	Intangible Assets	0
1,624	Revenue Expenditure Funded from Capital Under Statute	1,113
11,408	Long Term Debtors	9,739
<b>33,385</b>		<b>45,938</b>
	Sources of Finance	
(12,411)	Capital receipts	(29,139)
(5,799)	Government Grants and Other Contributions (including S106)	(2,372)
	Earmarked Reserves	
(50)	Performance Reward Grant (Capital)	0
(109)	Project and Programme Management	(113)
0	Dev Sites Decontamination	(311)
(128)	Vehicle Replacement	0
(105)	Weekly Collection Support Grant Earmarked Reserve	0
0	New Home Bonus	(3,533)
0	Other	1,317
0	MRP from Capital Adjustment Account	0
<b>(18,602)</b>		<b>(34,151)</b>
<b>17,340</b>	Closing Capital Financing Requirement	<b>29,127</b>

At 31 March 2018 the Council had contractual commitments totalling £8.045m (31 March 2017: £2.586m)

## 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:

Restated 31 Mar 17 £'000		Net Movement In Year £'000	31 Mar 18 £'000
	<b>Long Term Debtors</b>		
8	Loan to YMCA	0	8
1,323	Rent to Mortgage	(7)	1,316
131	Finance Leases as Lessor	0	131
800	Sale of Properties	(800)	0
7	Charges Registered to Properties	0	7
4,458	WHC Senior Debts	(4,458)	0
12	Skillmakers Loan	0	12
0	Hart Homes Watford	4,500	4,500
2,000	Watford Health Hospital Trust	0	2,000
6,000	Watford Health Campus- Growing Places Fund (interest free loan)	0	6,000
<b>14,739</b>		<b>(765)</b>	<b>13,974</b>
	<b>Long Term Investments</b>		
2,400	Hart Homes Watford	0	2,400
5,639	Watford Health Campus LABV	2,687	8,326
20	Municipal Bonds Agency & Local Capital Finance Company	0	20
<b>8,059</b>		<b>2,687</b>	<b>10,746</b>
<b>22,798</b>	<b>Total</b>	<b>1,922</b>	<b>24,720</b>

### 22 Debtors - Short Term

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

31 Mar 17 £'000		31 Mar 18 £'000
152	Central Government Bodies	5,934
366	Local Authorities	1,198
0	NHS	0
0	Public Corporations	0
16,102	Other Entities and Individuals	8,998
5	Payments in Advance	162
<b>16,625</b>		<b>16,292</b>
(5,944)	Less: Provision for Bad Debts / Impairment	(5,585)
<b>10,681</b>	<b>Total</b>	<b>10,707</b>

### 23 Cash and Cash Equivalents

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

31 Mar 17 £'000		31 Mar 18 £'000
	<b>Current Assets</b>	
1	Cash held by the Authority	1
9,482	Bank Current Accounts	9,990
0	Short-term Deposits with Building Societies	0
<b>9,483</b>		<b>9,991</b>
	<b>Current Liabilities</b>	
0	Bank overdrafts	0
<b>9,483</b>	<b>Total</b>	<b>9,991</b>

## 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:

2016/17			2017/18	
£'000	£'000		£'000	£'000
550		<b>Note 24a- Operation Activities</b>		
0		Interest received	630	
		Interest paid	0	
		Dividend Received	3,926	
	<b>550</b>			<b>4,556</b>
6,122		Depreciation	5,837	
10,186		Impairment and downward valuations	2,585	
17		Amortisation	0	
(4,329)		Increase/(decrease) in impairment of bad debts	0	
14,073		Increase/(decrease) in creditors	934	
(963)		(Increase)/decrease in debtors	2,933	
(1)		(Increase)/decrease in inventories	0	
234		Movement in pensions liability	898	
		Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0	
(14,063)		Other non-cash items charged to the provision of services	5,169	
	<b>11,276</b>		650	<b>19,006</b>
(8,426)		Purchase of property, plant, equipment, investment property and intangible assets	(9,401)	
(5,259)		Any other items for which the cash effects are investing or financing cash flows	(2,347)	
	<b>(13,685)</b>			<b>(11,748)</b>
	<b>(1,859)</b>			<b>11,814</b>
		<b>Note 24b- Investing Activities</b>		
(20,336)		Purchase of property, plant, equipment, investment property and intangible assets	(35,138)	
(96,962)		Purchase of st and It investments	(65,000)	
8,426		Proceeds from the sale of property, plant, equipment, investment property and intangible assets	0	
		Proceeds from st and It investments	10,201	
110,000		Other receipts from investing activities	84,000	
409			1,233	<b>(4,704)</b>
	<b>1,537</b>			
		<b>Note 24c- Financing Activities</b>		
(10)		Other receipts from financing activities	0	
0		Cash receipts of short and long term borrowing	0	
(3,684)		Other payments for financing activities	(2,878)	
0		Repayments of st and It borrowing	0	
	<b>(3,694)</b>			<b>(2,878)</b>

### 25 Creditors - Short Term

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

31 Mar 17 £'000		31 Mar 18 £'000
(10,325)	Central Government Bodies	(10,910)
(4,204)	Other Local Authorities	(4,510)
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(8,567)	Other Entities and Individuals	(8,708)
(1,286)	Receipts in Advance	(1,226)
<b>(24,382)</b>	<b>Total</b>	<b>(25,354)</b>

## 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 17 £'000		31 Mar 18 £'000
72	Deferred Liabilities (obligations under finance leases)	82
0	Government Grants receipts in advance	0
0	Section 106 Contributions receipts in advance	0
(7,500)	Loans (Local Authority)	(7,500)
<b>(7,428)</b>	<b>Total</b>	<b>(7,418)</b>

### 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 17 £'000		Change £'000	Used £'000	Unused Reversal £'000	Unwinding Discounting £'000	31 Mar 18 £'000
(77)	Property Searches	0	0	0	0	(77)
(48)	Municipal Mutual Insurance	0	0	0	0	(48)
(74)	Contractual Provision	0	0	0	0	(74)
(4,072)	NDR Appeals	(3,275)	516	0	0	(6,831)
<b>(4,271)</b>	<b>Total</b>	<b>(3,275)</b>	<b>516</b>	<b>0</b>	<b>0</b>	<b>(7,030)</b>

#### Property Searches

The Council is a defendant in proceedings brought by a group of property Search Companies for refunds of fees paid to the Council to access land charges data. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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:-

2016/17 £'000		2017/18 £'000
	<b>Comprehensive Income and Expenditure Statement (CI&amp;ES)</b>	
	<b>Costs of Service</b>	
	<i>Service cost comprising:</i>	
1,632	current service cost	2,809
0	past service cost	12
	<i>Financing and Investment Income and Expenditure</i>	
1,918	Net Interest Expense	1,567
<b>3,550</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,388</b>
	<b>Other Post Employment Benefit Charged to the CI&amp;ES</b>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
6,213	Return on plan assets	(3,186)
(1,854)	Actuarial gains and losses arising on changes in demographic assumptions	0
25,895	Actuarial gains and losses arising on changes in financial assumptions	0
(24,730)	Other	(2,731)
<b>5,524</b>	<b>Total Remeasurement recognised in Other CI&amp;ES</b>	<b>(5,917)</b>
<b>9,074</b>	<b>Total Post Employment Benefit Charged to CI&amp;ES</b>	<b>(1,529)</b>
	<b>Movement in Reserves Statement</b>	
(3,550)	Reversal of net charges made to the Provision of Services for post employment benefits in accordance with the Code	(4,388)
3,316	Employers' contributions payable to the scheme	3,490
<b>3,316</b>	<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>3,490</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2016/17 £'000		2017/18 £'000
(168,608)	Present value of the defined benefit obligation	(167,488)
105,540	Fair value of plan assets	109,439
<b>(63,068)</b>		<b>(58,049)</b>

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

2016/17 £'000		2017/18 £'000
110,297	Opening fair value of scheme assets at 1 April	105,540
3,710	Interest income	2,613
	<i>Remeasurement gain/(loss):</i>	
(6,213)	Return on plan assets	3,186
3,316	Contributions from employer	3,490
448	Contributions from employees into the scheme	474
(6,018)	Benefits paid	(5,864)
0	Other	0
0		0
<b>105,540</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>109,439</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2016/17 £'000		2017/18 £'000
(167,607)	Opening Balance at 1 April	(168,608)
(1,632)	Current service costs	(2,809)
	Past service costs	(12)
(5,628)	Interest cost	(4,180)
(448)	Contributions from scheme participants	(474)
	Remeasurement (gains) and losses:	
1,854	Actuarial gains and losses arising from changes in demographic assumptions	0
(25,895)	Actuarial gains and losses arising from changes in financial assumptions	2,731
24,730	Other	0
0	Past service costs	0
0	Losses/(gains) on curtailments	0
6,018	Benefits paid	5,864
<b>(168,608)</b>	<b>Closing Balance at 31 March</b>	<b>(167,488)</b>

### Local Government Pension Scheme assets comprised

2016/17 Quoted active market £'000	2016/17 Quoted non-active market £'000	2016/17 £'000		2017/18 Quoted active market £'000	2017/18 Quoted non-active market £'000	2017/18 £'000
3,483	0	3,483	Cash and cash equivalents	3,653	0	3,653
			Equity instruments: by industry type			
8,229	0	8,229	Consumer	5,001	0	5,001
7,898	0	7,898	Manufacturing	4,301	0	4,301
1,902	0	1,902	Energy and Utilities	1,147	0	1,147
7,068	0	7,068	Financial Institutions	4,882	0	4,882
1,429	0	1,429	Health and Care	693	0	693
5,755	0	5,755	Information Technology	3,412	0	3,412
355	0	355	Other	260	0	260
32,635	0	32,635	Sub-total equity	19,696	0	19,696
			Bonds: by sector			
0	0	0	Corporate Bonds (inv. grade)	0	0	0
0	0	0	UK Government	0	0	0
0	0	0	Other	0	45	45
0	0	0	Sub-total bonds	0	45	45
			Property: by type			
0	3,415	3,415	UK Property	0	3,625	3,625
0	3,955	3,955	Overseas Property	0	3,573	3,573
0	7,370	7,370	Sub-total property	0	7,198	7,198
			Private Equity:			
0	4,873	4,873	All	0	4,152	4,152
0	4,873	4,873	Sub-total private equity	0	4,152	4,152
			Other Investment Funds:			
22,114	0	22,114	Equities	28,765	0	28,765
29,073	0	29,073	Bonds	39,359	0	39,359
0	0	0	Commodities	0	0	0
0	240	240	Infrastructure	0	261	261
407	5,556	5,963	Other	815	5,583	6,398
51,594	5,795	57,389	Sub-total other investment funds	68,939	5,844	74,783
			Derivatives:			
0	(210)	(210)	Foreign exchange	0	(88)	(88)
0	(210)	(210)	Sub-total derivatives	0	(88)	(88)
<b>84,229</b>	<b>17,829</b>	<b>102,057</b>	<b>Total Assets</b>	<b>92,288</b>	<b>17,152</b>	<b>109,439</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2018.

The significant assumptions used by the actuary have been:

31 Mar 17		31 Mar 18
18.1%	<b>Total Returns from 1 April 2017 to 31 March 2018</b>	5.5%
	<b>Mortality Assumptions</b>	
	Longevity at 65 for current pensioners	
22.5	• Men	22.5
24.9	• Women	24.9
	<b>Longevity at 65 for future pensioners</b>	
24.1	• Men	24.1
26.7	• Women	26.7
2.5%	Rate of increase in salaries	2.5%
2.4%	Rate of increase in pensions	2.4%
2.5%	Rate for discounting scheme liabilities	2.6%

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		2017/18 £'000
3-5%	Longevity (increase in 1 year)	3-5%
1,162	Rate of increase in salaries (increase by 0.5%)	1,157
12,620	Rate of increase in pensions (increase by 0.5%)	12,888
13,921	Rate for discounting scheme liabilities (decrease by 0.5%)	14,171
<b>27,703</b>		<b>28,216</b>

### Information about the Defined benefit obligation

2016/17			2017/18	
Liability Split	Weighted Average Duration		Liability Split	Weighted Average Duration
19.2%	23.4	Active members	21.2%	23.4
30.7%	20.5	Deferred members	30.7%	20.5
50.1%	10.8	Pensioner members	48.1%	10.8
<b>100%</b>	<b>15.2</b>		<b>100%</b>	<b>15.2</b>

Funding levels are monitored on an annual basis, and the next triennial review is to be based on 31 March 2018 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 2017/18 is £3.584m.

## 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 (WCH). The scheme involves the Council contracting with WCH for the Trust to deliver works and this enabled the WCH 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

### 30 Usable Reserves

#### a) Movement in Usable Reserves

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

Balance at 31-Mar-17 £'000		Net Movement in Year £'000	Balance at 31-Mar-18 £'000	Further Detail Note
(11,966)	Capital Receipts Reserve	10,979	(987)	30b
(15,217)	Earmarked Reserves	(1,136)	(16,353)	30c
(1,412)	General Fund Balance	0	(1,412)	30d
(1,670)	Capital Grants Unapplied	(489)	(2,159)	30e
<b>(30,265)</b>	<b>Total Net Worth</b>	<b>9,354</b>	<b>(20,911)</b>	<b>0</b>

#### b) Capital Receipts Reserve

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

2016/17 £'000		2017/18 £'000
(17,486)	Balance brought forward at 1 April	(11,966)
	Received in year:	
(1,911)	Proceeds from sale of long-term assets	(6,156)
(4,954)	Shares in preserved Right to Buy	0
(26)	VAT Shelter compensation (Unattached Capital Receipt)	0
0	Transfer from Deferred Capital Receipts upon receipts of cash	(800)
0	Unattached Capital Receipts	(2,733)
0	Loan repayments (Unattached Capital Receipt)	(8,471)
<b>(6,891)</b>		<b>(18,160)</b>
	Applied in year:	
12,411	Applied to Capital Adjustment Account to finance new capital expenditure	20,668
0	Applied to Long Term Debtors to clear loans	8,471
0	Transferred to Capital Adjustment Account to finance new capital expenditure	0
<b>12,411</b>		<b>29,139</b>
<b>(11,966)</b>	<b>Usable Reserves</b>	<b>(987)</b>

#### 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 2017/18.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

- a process and timescale for review to ensure continuing relevance and adequacy

Balance at 01-Apr-16 £'000	Appropriations to Reserve £'000	Appropriations from Reserve £'000	Balance at 31-Mar-17 £'000		Appropriations to Reserve £'000	Appropriations from Reserve £'000	Balance at 31-Mar-18 £'000
(85)	0	0	(85)	Area Based Grant	0	(1)	(86)
(1,170)	0	409	(761)	Budget Carry Forward	0	(297)	(1,058)
(810)	(1,340)	1,500	(650)	Capital Fund	0	0	(650)
(775)	(132)	0	(907)	Car Parking Zones	(19)	593	(333)
(160)	0	0	(160)	Charter Place Tenants	0	67	(93)
(57)	0	0	(57)	Climate Change	0	1	(56)
0	0	0	0	Riverwell	0	(3,249)	(3,249)
(50)	(284)	0	(334)	Crematorium	(100)	284	(150)
(446)	0	0	(446)	Development Sites Decontamination	0	311	(135)
(4,049)	0	3,299	(750)	Economic Impact	(770)	99	(1,421)
(90)	0	0	(90)	High Street Innovation	0	90	0
(113)	0	0	(113)	Homelessness Prevention	0	113	0
(996)	0	0	(996)	Housing Benefit Subsidy	0	(1)	(997)
(266)	0	0	(266)	Housing Planning Delivery Grant	0	0	(266)
(839)	0	0	(839)	Invest to Save	0	0	(839)
(570)	0	0	(570)	LA Business Growth Incentive (LABGI)	0	570	0
(12)	0	0	(12)	Le Marie Centre Repairs	0	(1)	(13)
(423)	0	0	(423)	Leisure Structured Maintenance	0	0	(423)
(123)	(55)	0	(178)	Local Development Framework	0	0	(178)
(181)	0	0	(181)	Multi-Storey Car Park Repair	0	0	(181)
(4,069)	0	0	(4,069)	New Homes Bonus	0	3,533	(536)
(4,661)	0	4,661	0	NNDR Collection Fund	(2,486)	0	(2,486)
(60)	0	0	(60)	Parks, Waste & Street Strategy	0	0	(60)
(2,249)	0	0	(2,249)	Pension Funding	0	1	(2,248)
(191)	0	50	(141)	Performance Reward Grant (Capital)	0	0	(141)
(29)	0	0	(29)	Performance Reward Grant (Revenue)	0	1	(28)
(655)	(126)	295	(486)	Project and Programme Management	(471)	598	(359)
(100)	0	0	(100)	Rent Deposit Guarantee Scheme	0	0	(100)
(310)	0	128	(182)	Vehicle Replacement	0	0	(182)
(188)	0	105	(83)	Weekly Collection Support Grant	0	0	(83)
<b>(23,727)</b>	<b>(1,937)</b>	<b>10,447</b>	<b>(15,217)</b>	<b>Total</b>	<b>(3,846)</b>	<b>2,712</b>	<b>(16,351)</b>

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.
Riverwell Reserve	To cover guarantees provided by the Council for the Riverwell scheme, to cover repayments of outstanding loans, to replenish balances and create a fund for future investment
Crematorium Reserve	To fund future repairs and maintenance.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Reserve	Purpose
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 Mgmnt 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:

2016/17 £'000		2017/18 £'000
(1,350)	Balance brought forward at 1 April	(1,412)
7,942	Net increase/(decrease) before transfers to earmarked reserves	(5,093)
(8,004)	Transfer (to)/from earmarked reserves	5,091
<b>(1,412)</b>	Balance carried forward at 31 March	<b>(1,414)</b>

## 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:

2016/17 £'000		2017/18 £'000
(2,592)	Balance brought forward at 1 April	(1,672)
(214)	Section 106- grants held for future use (new in year)	(601)
1,519	Section 106- grants applied (to Capital Adjustment Account)	686
4,280	Capital Grants applied	1,686
(4,265)	Capital Grants received	(1,534)
(400)	Community Infrastructure Levy	(724)
<b>(1,672)</b>	Balance carried forward at 31 March	<b>(2,159)</b>

### 31 Unusable Reserves

#### a) Movement in Unusable Reserves

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

Restated Balance at 31-Mar-17 £'000		Net Movement in Year £'000	Balance at 31-Mar-18 £'000	Further Detail Note
114	Accumulated Absences Reserve	(39)	74	
(188,464)	Capital Adjustment Account	(15,574)	(204,038)	31b
(3,970)	Collection Fund Account	2,568	(1,402)	31c
123	Deferred Capital Payments	0	123	31d
(2,348)	Deferred Capital Receipts	542	(1,806)	31e
76	Financial Instruments Account	0	76	
63,068	Pensions Reserve	(5,019)	58,049	31f
(44,873)	Revaluation Reserve	173	(44,700)	31g
<b>(176,274)</b>	<b>Total Net Worth</b>	<b>(17,349)</b>	<b>(193,624)</b>	

#### 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

2016/17 £'000		2017/18 £'000
(171,438)	<b>Balance brought forward at 1 April</b>	(188,464)
0	Other	0
<b>(171,438)</b>		<b>(188,464)</b>
	<b>Reversal of items relating to capital expenditure debited/credited to the CIES</b>	
6,116	Charges for depreciation and impairment of non-current assets	7,745
17	Amortisation of Intangible Assets	0
40	Revaluation (Gain) \ losses on PPE	(2,109)
1,624	Revenue Expenditure Funded from Capital under Statute	1,113
3,048	Amounts of non-current assets w/o on disposal/sale as part of the gain/loss on disposal to the CI&ES	5,169
(3,180)	Adjusting amounts w/o of the Revaluation Reserve	0
<b>7,665</b>	<b>Net w/o amount of the cost of non-current assets consumed in the year</b>	<b>11,918</b>
	<b>Capital financing applied in the year:</b>	
(14,811)	Use of Capital Receipts Reserve to finance new capital expenditure	(20,668)
(5,799)	Capital Grants/Contributions, applied to capital financing	(2,372)
(392)	Earmarked Reserves:	(3,957)
0	Repayment of Long term loan	(8,471)
<b>(21,002)</b>		<b>(35,468)</b>
	<b>Other Movements:</b>	
0	Repayment of Long term debtors	8,471
1,340	Other reclassifications	(2)
(5,029)	Mvmnt in Market value of Investment Properties debited/credited to the CI&ES	(493)
<b>(3,689)</b>		<b>7,976</b>
<b>(188,464)</b>	<b>Balance carried forward at 31 March</b>	<b>(204,038)</b>

### 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.

2016/17 £'000		2017/18 £'000
4,697	<b>Balance brought forward at 1 April</b>	(3,970)
(8,667)	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	2,568
<b>(3,970)</b>	<b>Balance carried forward at 31 March</b>	<b>(1,402)</b>

### 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.

2016/17 £'000		2017/18 £'000
1,633	<b>Balance brought forward at 1 April</b>	123
(1,510)	Deferred Payment of Local Enterprise Partnership (LEP) Loan	0
<b>123</b>	<b>Balance carried forward at 31 March</b>	<b>123</b>

## 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.

2016/17 £'000		2017/18 £'000
(2,323)	<b>Balance Brought Forward at 1 April</b>	(2,348)
(25)	Revaluation of Rent to Mortgage Properties	(258)
0	Deferred Receipts received	800
<b>(2,348)</b>	<b>Balance carried forward at 31 March</b>	<b>(1,806)</b>

### 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.

2016/17 £'000		2017/18 £'000
57,310	<b>Balance brought forward at 1 April</b>	63,068
5,524	Remeasurements of the net defined benefit liability/(asset)	(5,917)
3,550	Reversal of items relating to retirement benefits debited/(credited) to the Surplus/Deficit on the Provision of Services in the CIES	4,388
(3,316)	Employer's pension contributions and direct payments to pensioners payable in year	(3,490)
<b>63,068</b>	<b>Balance carried forward at 31 March</b>	<b>58,049</b>

### 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

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17 £'000		2017/18 £'000
(34,315)	<b>Balance brought forward at 1 April</b>	(44,873)
(14,031)	Upward Revaluation of assets	(1,275)
293	Downward Revaluation of assets and impairment losses not charged to the Provision of service	292
<b>(13,738)</b>	<b>Net (Surplus) on revaluation of non-current assets not posted to the Provision of services</b>	<b>(983)</b>
780	Difference between fair value depreciation and historical cost depreciation	1,156
2,400	Revaluation reserve written-off on disposal of asset	0
<b>3,180</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>1,156</b>
<b>(44,873)</b>	<b>Balance carried forward at 31 March</b>	<b>(44,700)</b>

### 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 17 £'000	31 Mar 17 £'000		31 Mar 18 £'000	31 Mar 18 £'000
7,147	25,017	Investments Financial assets at fair value through profit and loss	2,420	6,001
12,739	0	Debtors Loans and receivables	13,974	0
	10,681	Financial assets carried at contract amount		9,801
	9,483	Cash and Cash Equivalents		9,991
(7,500)	0	Borrowing Financial liabilities at amortised cost	(7,500)	0
72	0	Other long-term Liabilities PFI and Finance Leases (deferred liabilities)	82	0
	(24,382)	Creditors Financial liabilities carried at contract amount		(24,128)
<b>12,458</b>	<b>20,799</b>	<b>Total</b>	<b>8,976</b>	<b>1,665</b>
<b>33,257</b>			<b>10,641</b>	

#### Fair Value

Long term debtors comprise mortgages and finance leases. Short term creditors and debtors arise from charges to and from the Council for goods and services, and short term investments are those made in cash for less than twelve months. These instruments are carried on the balance sheet at amortised cost, which represents their fair value. The Council borrowed on behalf of the LABV, £6.0m from the Growing Places Fund. At 31 March 2018, 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 (2016/17: £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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 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:

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 16th January 2017 and is available on the Council website. The key issues within the strategy were:

- the Authorised Limit for 2017/18 was set at £ 30 million (2016/17: £20 million). This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was expected to be £25 million (2016/17: £15 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 2017/18, which was approved by the Council on 24 January 2017, can be found on the Council's website.

One long-standing investment for £2m, 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 2018 that this was likely to crystallise.

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

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

### Liquidity risk

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

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

The Council does not generally allow credit for its trade debtors, such that £0.746 million (2016/17: £1.241 million) of the £8.998 million (2016/17: £16.102million) balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 Mar 17 £'000		31 Mar 18 £'000
781	Less than 3 months	423
11	More than 3 months, less than 6 months	35
173	More than 6 months, less than 1 year	12
276	More than 1 year	276
1,241	Total	746

### 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 2018 is as follows:-

31 Mar 17 £'000		31 Mar 18 £'000
25,017	Less than 1 year	6,001
25,017	Total	6,001

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Market Risk

#### Interest Rate Risk

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:

31 Mar 17 £'000		31 Mar 18 £'000
351	Increase in interest receivable on investments with consequential change in Income and Expenditure Account	155

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.

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).

2016/17			Note	2017/18		
£000	£000			£000	£000	£000
				NNDR	Ctax	Total
		<b><u>Income:</u></b>				
(51,595)		Council Tax Payers	CF1		(54,078)	
(63,332)		Business Rate Payers		(64,716)		
(13,356)		Contributions towards previous year's deficit Business Rates		(1,348)		
<b>(128,283)</b>		<b>Total Income</b>		<b>(66,064)</b>	<b>(54,078)</b>	<b>(120,142)</b>
		<b><u>Expenditure:</u></b>				
		<b><u>Council Tax</u></b>				
49,585		Precepts and Demands				
		Hertfordshire County Council			39,944	
		Hertfordshire Police and Crime Commissioner			4,873	
		Watford Borough Council			8,171	
(115)		Bad and Doubtful Debts Increase\decrease in Provision (including write offs)			134	
		<b><u>Business Rates</u></b>				
32,008		Shares to Preceptors and the Council				
		Hertfordshire County Council		5,986		
		Watford Borough Council		23,943		
32,008		Central Government Share		29,929		
908		Transitional Payments		4,826		
(9,839)		Bad and Doubtful Debts and Appeals Increase in Provision (including write offs)		7,270		
172		Cost of Collection		167		
1,533		Contributions towards previous year's surplus Council Tax			1,828	
<b>106,260</b>		<b>Total Expenditure</b>		<b>72,121</b>	<b>54,950</b>	<b>127,071</b>
<b>(22,023)</b>		<b>(Increase) / Decrease in Collection Fund Balance</b>		<b>6,057</b>	<b>872</b>	<b>6,929</b>
10,495		Fund Balance - (Surplus) / Deficit at 1 April		(8,905)	(2,623)	(11,528)
<b>(11,528)</b>		<b>Fund Balance - (Surplus) / Deficit at 31 March</b>		<b>(2,848)</b>	<b>(1,751)</b>	<b>(4,599)</b>
		<b>Fund Balance - Allocation</b>				
		Hertfordshire County Council		(285)	(1,324)	
		Hertfordshire Police and Crime Commissioner			(164)	
		Watford Borough Council		(1,139)	(263)	
		Central Government		(1,424)		

## 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 2017/18.

2016/17		2017/18				
Equivalent Number of Band D Dwellings		Valuation Band	Total Number of Dwellings in Band	Discounts, Exemptions & Disabled Relief	Total Chargeable Dwellings	Conversion Faction (Proportion)
-	A (Disabled Relief)	0.00	4.00	4.00	5/9	2.22
126.44	A	431.00	(121.80)	309.20	6/9	206.13
1,991.21	B	4,085.00	(1,406.80)	2,678.20	7/9	2,083.04
9,779.33	C	14,259.00	(2,793.60)	11,465.40	8/9	10,191.47
10,430.06	D	12,476.00	(1,931.20)	10,544.80	9/9	10,544.80
3,960.29	E	3,643.00	(385.20)	3,257.80	11/9	3,981.76
2,860.33	F	2,165.00	(167.30)	1,997.70	13/9	2,885.57
2,979.03	G	1,893.00	(85.00)	1,808.00	15/9	3,013.33
156.50	H	79.00	(6.20)	72.80	18/9	145.60
<b>32,283.20</b>		<b>39,031.00</b>	<b>(6,893.10)</b>	<b>32,137.90</b>		<b>33,053.92</b>
(968.50)	Less: Allowance for losses on collection					(991.62)
31,314.71	Tax Base for Calculation of Council Tax					32,062.30
1,268.79	Add: Adjustment for changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons' relief and empty properties					659.30
<b>32,583.50</b>	<b>Council Tax Base for the Year</b>					<b>32,721.60</b>

Each year, the Council needs to collect enough money from local residents to cover the cost of the services it provides which is not funded by government grants and charges for services. It also collects charges for Hertfordshire County Council and the Hertfordshire Police. The total is divided by the tax base for the purposes of calculating the council tax to arrive at an average Band D tax per dwelling. The Council set an average council tax charge for Band D dwellings of £1652.67 (£1,583.46 for 2016/17).

2016/17 £000		2017/18 £000
(51,595)	Gross Council Tax Charge	(54,078)
<b>(51,595)</b>	<b>Income from Council Tax Payers</b>	<b>(54,078)</b>

## 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:

2016/17 £		2017/18 £
152,302,812	Total Non-domestic Rateable Value at 31 March	148,127,222
49.7	National Non-domestic Rate Multiplier - Standard	47.9
48.4	National Non-domestic Rate Multiplier - Small Business	46.6

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.

WATFORD  
RIVERWELL



**WATFORD  
BOROUGH  
COUNCIL**

UNAUDITED  
DRAFT  
GROUP ACCOUNTS

2017/18

## GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2017/18	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Share of JV Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>		(1,412)	(15,221)	(11,966)	(1,670)	44	(30,226)	(176,274)	(206,500)
Total comprehensive income and expenditure (CIES)		(832)					(832)	(7,160)	(7,992)
Adjustments between accounting basis and funding basis under regulations (note )	7	(4,261)		10,979	(485)		6,233	(6,233)	0
Adjustments primarily involving the share of Joint Venture Reserve	GP2					(637)	(637)	0	(637)
Transfer to\from Earmarked Reserves		5,091	(1,130)		(4)		3,957	(3,957)	0
<b>Total increase /(decrease) during the year</b>		<b>(2)</b>	<b>(1,130)</b>	<b>10,979</b>	<b>(489)</b>	<b>(637)</b>	<b>8,721</b>	<b>(17,350)</b>	<b>(8,629)</b>
<b>Balance at 31 March 2018</b>		<b>(1,414)</b>	<b>(16,351)</b>	<b>(987)</b>	<b>(2,159)</b>	<b>(594)</b>	<b>(21,505)</b>	<b>(193,624)</b>	<b>(215,129)</b>

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2016/17	Note	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Share of JV Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>		(1,350)	(23,782)	(17,486)	(2,590)	(78)	(45,286)	(144,272)	(189,558)
Total comprehensive income and expenditure		(11,255)	0	0	0		(11,255)	(5,809)	(17,064)
Adjustments between accounting basis and funding basis under regulations (note )	7	19,197	0	5,520	920		25,637	(25,637)	0
Adjustments primarily involving the share of Joint Venture Reserve	GP2					122	122	0	0
Transfer to \from earmarked reserves		(8,004)	8,561	0	0		557	(557)	0
<b>Total increase /(decrease) during the year</b>		<b>(62)</b>	<b>8,561</b>	<b>5,520</b>	<b>920</b>	<b>122</b>	<b>15,061</b>	<b>(32,003)</b>	<b>(16,942)</b>
<b>Balance at 31 March 2017</b>		<b>(1,412)</b>	<b>(15,221)</b>	<b>(11,966)</b>	<b>(1,670)</b>	<b>44</b>	<b>(30,226)</b>	<b>(176,274)</b>	<b>(206,500)</b>

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17			2017/18		
NET EXPEND- ITURE £000	GROUP CIES STATEMENT	Note	GROSS EXPEND- ITURE £000	GROSS INCOME £000	NET EXPEND- ITURE £000
	<b>Services</b>				
9,168	Corp Strategy & Client Service		1,258	(183)	1,075
6,106	Community Services		14,988	(2,696)	12,292
3,303	Democracy & Governance		3,927	(706)	3,221
3,955	Deputy MD		0	0	0
610	Managing Director		0	0	0
620	Human Resources		815	(134)	681
0	Place Shaping & Performance		15,391	(6,427)	8,964
0	Service Transformation		3,394	(15)	3,379
6,369	Strategic Finance		43,338	(39,159)	4,179
<b>30,131</b>	<b>Net Cost of Services</b>		<b>83,111</b>	<b>(49,320)</b>	<b>33,791</b>
	<b>Other Operating (Income) and Expenditure</b>				
(879)	(Gains) / Losses on disposal of long-term assets				(1,498)
(9,915)	Unattached capital receipts				(2,221)
(2,133)	Other Operating (Income) and Expenditure				(3,371)
	<b>Financing and Investment (Income)/Expenditure</b>				
29	Interest payable and similar charges				(33)
1,918	Pension interest costs & expected return on assets				1,567
(579)	Interest receivable and similar income				(4,479)
(5,519)	(Income)/Expenditure in relation to Investment Properties				(6,885)
(7,425)	Changes in the fair value of Investment Properties				(2,597)
	Other Investment (Income) / Expenditure				0
	<b>Taxation and Non-Specific Grant Income</b>				
(8,167)	Council Tax Income				(8,315)
(2,600)	Non-domestic Rates Redistribution				(1,557)
(5,440)	Non-ringfenced Government Grants				(3,890)
(676)	Capital Grants and Contributions				(1,344)
<b>(11,255)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(832)</b>
122	Share of (Surplus) / Deficit on Provision of Services by Joint Venture				(637)
<b>(11,133)</b>	<b>Group (Surplus) / Deficit</b>				<b>(1,469)</b>
(11,334)	(Surplus) / Deficit on revaluation of long-term assets				(1,243)
5,522	Actuarial (gains) or losses on pension assets and liabilities				(5,917)
<b>(5,812)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(7,160)</b>
<b>(16,945)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(8,629)</b>

## GROUP BALANCE SHEET

31 March 2017			31 March 2018	
£000	£000		£000	£000
75,817		Land and Buildings	80,023	
11,777		Vehicles, Plant and Equipment	7,318	
1,056		Infrastructure Assets	687	
4,447		Assets Under Construction	1,424	
1,945		Heritage Assets	1,945	
142,355		Investment Properties	168,950	
300		Surplus Assets	605	
8,016		Long Term Investments	11,340	
14,740		Long Term Debtors	13,974	
	<b>260,452</b>	<b>Long Term Assets</b>		<b>286,266</b>
16		Inventories and Work In Progress	16	
10,681		Short Term Debtors	10,707	
25,017		Short Term Investments	6,001	
9,483		Cash and Cash Equivalents	9,991	
	<b>45,196</b>	<b>Current Assets</b>		<b>26,715</b>
(24,382)		Short Term Creditors	(25,354)	
0		Short Term Borrowing	0	
	<b>(24,382)</b>	<b>Current Liabilities</b>		<b>(25,354)</b>
0		Government Grants & Other Contributions in Advance	0	
72		Deferred Liabilities	80	
(7,500)		Loans	(7,500)	
(4,269)		Provisions	(7,030)	
(63,068)		Liability related to Defined Benefit Pension Scheme	(58,049)	
	<b>(74,765)</b>	<b>Long Term Liabilities</b>		<b>(72,499)</b>
	<b>206,501</b>	<b>Net Assets</b>		<b>215,129</b>
(11,966)		Capital Receipts Reserve	(987)	
(15,221)		Earmarked Reserves	(16,351)	
(1,412)		General Fund Balance	(1,414)	
(1,670)		Capital Grant unapplied	(2,159)	
44		Share of Joint Venture Reserve	(594)	
	<b>(30,226)</b>	<b>Usable Reserves</b>		<b>(21,505)</b>
114		Accumulated Absences Reserve	74	
(188,465)		Capital Adjustment Account	(204,038)	
(3,970)		Collection Fund Adjustment Account	(1,402)	
123		Deferred Capital Payments	123	
(2,348)		Deferred Capital Receipts	(1,806)	
76		Financial Instruments Adjustment Account	76	
63,068		Pensions Reserve	58,049	
(44,873)		Revaluation Reserve	(44,700)	
	<b>(176,275)</b>	<b>Unusable Reserves</b>		<b>(193,624)</b>
	<b>(206,501)</b>	<b>Total Reserves</b>		<b>(215,129)</b>

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

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

Date:

Signed .....  
**Derek Scudder**  
**Chairman of Audit Committee**

Date:

## GROUP CASH FLOW STATEMENT

2016/17		GROUP CASH FLOW STATEMENT	2017/18	
£000	£000		£000	£000
11,255		<b>Net surplus or (deficit) on the provision of services</b>	832	
8,364		Adjustments to net surplus or deficit on the provision of services for non cash movements	19,006	
(13,685)		Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	(11,748)	
	<b>5,934</b>			<b>8,090</b>
	<b>5,934</b>	<b>Net cash flows from Operating Activities</b>		<b>8,090</b>
		<b>Investing Activities</b>		
(20,336)		Purchase of PPE, Investment Property and intangible assets	(35,138)	
(96,962)		Purchase of short term / long term investments	(65,000)	
8,426		Proceeds from the sale of PPE, Investment Property and intangible assets	10,201	
110,000		Proceeds from short term / long term investments	84,000	
409		Other receipts/payments from investing activities	1,233	
	<b>1,537</b>			<b>(4,704)</b>
		<b>Financing Activities</b>		
(10)		Other receipts/payments from financing activities	0	
0		Cash receipts of short and long term borrowing	0	
(3,684)		Other payments for financing activities	(2,879)	
(2)		Cash Receipts of short-term / long term borrowing	0	
	<b>(3,696)</b>			<b>(2,878)</b>
	<b>3,775</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>508</b>
	<b>5,708</b>	<b>Cash and Cash equivalents at the beginning of the reporting period</b>		<b>9,483</b>
	<b>9,483</b>	<b>Cash and Cash equivalents at the end of the reporting period</b>		<b>9,991</b>

# 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 2017/18 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.

Cross references to notes on the single entity accounts are to be used for material balances on 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) Limited	50%	Watford Community Housing Trust	24 June 2016

Watford Borough Council has 100% ownership in Watford Commercial Services Limited (net liabilities of £7k as at 31 March 2018) which in turn has 50% ownership in Hart Homes Watford Development LLP (net liabilities of £47k as at March 2018). The net assets of these companies are not material and therefore have not been consolidated as part of the group accounts.

The table below shows 50% share for Watford Borough Council

2016/17			2017/18	
Watford Health Campus Partnership LLP	Hart Homes (Watford) Limited		Watford Health Campus Partnership LLP	Hart Homes (Watford) Limited
£000	£000		£000	£000
(2)	0	Revenue	(11,413)	(15)
0	0	Cost of Sales	6,807	0
45	3	Administrative Expenses	123	28
<b>44</b>	<b>3</b>	<b>(Profit)\Loss for the period</b>	<b>(4,483)</b>	<b>13</b>
0	1,319	Property, Plant and Equipment	0	4,011
0	0	Long term investment	2,484	0
4,365	0	Project under Development	5,476	0
5,633	0	Work in Progress (Current Assets)	3,003	0
79	8	Debtors (Current Assets)	129	20
1,126	1,200	Cash and Cash Equivalents (Current Assets)	1,261	778
(2,865)	(130)	Creditors (Current Liabilities)	(700)	(144)
(2,601)	0	Creditors (Long term liabilities)	(2,720)	(2,281)
<b>5,736</b>	<b>2,397</b>	<b>Net Assets</b>	<b>8,933</b>	<b>2,384</b>
<b>8,133</b>		<b>TOTAL NET ASSETS</b>	<b>11,317</b>	

## 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.

2016/17			2017/18	
Purchases £000	Amounts Outstand- ing at 31 March £000		Purchases £000	Amounts Outstand- ing at 31 March £000
43	0	Kier Project Investment Limited	40	0
225	0	Kier Property Development Limited	236	0
0	0	Watford Borough Council	0	0

### 4 WHCP Members' Capital Contributions (Loan Notes)

2016/17		2017/18		
Amounts Outstand- ing at 31 March £000		New Loans £000	Repayment s £000	Amounts Outstand- ing at 31 March £000
5,639	Loan Note A	5,170	(2,483)	8,326
4,458	Senior Debts	2,042	(6,500)	0
10,097		7,212	(8,983)	8,326

Interest of £0.280m 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 and is part of the £11.4m balance. (2016/17 £2.6M)

# 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.

**Watford Borough Council**  
**Audit Committee 26 July 2018**  
**Statement of Accounts 2017/18 addendum – Major Changes**

**1 Introduction**

This note is to identify and provide an update on items that have led to major (material) changes to the Council and Group accounts between the draft being put on to our website on 31 May 2018 and this meeting.

**2 Major Changes – Watford BC**

There are three strands to the major changes to the Council's accounts for 2017/18. These are:

(i) Pension accounts

A key part of the pension accounts is the value of the funds held at the end of the financial year, as this can be compared to the estimated liabilities of the fund in order to determine whether there is a deficit or surplus.

In previous years the method of calculating the value of funds was based on figures at the end of January, as being an adequate indicator of the viability of the Pension Fund. In 2018, the equities market picked up to such an extent that the difference between the end of January and end of March was £1.4m, which is a 'material' sum.

Our external auditors therefore asked that the actuaries provide an updated set of figures to end March, and that this be passed on to all Councils to be included in revised Statement of Accounts. This exercise was undertaken and the resulting changes are included in the recently circulated Statement of Accounts.

(ii) Prior Year adjustments (2016/17)

The audit identified the piece of land that has been used for the Hart Homes Ltd development at Croxley View was transferred during 2016/17 but had not been put through the accounts then. Additionally, a piece of land invested in the Health Campus led to a realised revaluation gain. These items led to changes in the 2016/17 and 2017/18 figures.

(iii) Current year (2017/18)

This column includes the current year impact of prior year adjustments plus other changes relating to investments.

The overview impact on the Council's Balance Sheet of these changes, and the changes to the relevant notes in the Statement of Accounts is provided in the following two pages.

## Watford Borough Council

BALANCE SHEET											
Restated					Draft		Adjustments			Revised	
31 Mar 17				Note	31 Mar 18		Pension	Prior	Current	31 Mar 18	
£000					£000	£000	£000	£000	£000	£000	£000
	<b>Property, Plant and Equipment:</b>										
75,817	Land and Buildings			17	80,023						80,023
11,777	Vehicles, Plant and Equipment			17	7,317						7,317
1,056	Infrastructure Assets			17	687						687
4,447	Assets Under Construction			17	1,424						1,424
1,945	Heritage Assets			18	1,945						1,945
142,355	Investment Properties			19a	169,494				(544)		168,950
300	Surplus Assets			19a	605						605
8,059	Long-term Investments			21	12,767			912	(2,933)		10,746
14,739	Long Term Debtors			21	7,474			2,000	4,500		13,974
<b>260,495</b>	<b>Long Term Assets</b>					<b>281,736</b>					<b>285,671</b>
16	Inventories				13				3		16
10,681	Short Term Debtors			22	10,400				307		10,707
25,017	Short Term Investments			32	6,001						6,001
9,483	Cash and Cash Equivalents			23	9,991						9,991
<b>45,197</b>	<b>Current Assets</b>					<b>26,405</b>					<b>26,715</b>
(24,382)	Short Term Creditors			25	(25,154)				(200)		(25,354)
<b>(24,382)</b>	<b>Current Liabilities</b>					<b>(25,154)</b>					<b>(25,354)</b>
72	Long-term Creditors- Deferred Liabilities			26	82						82
(7,500)	Long-term Creditors- Loans			26	(7,500)						(7,500)
(4,271)	Provisions			27	(7,030)						(7,030)
(63,068)	Liability related to Defined Benefit Pension Schem			28	(59,863)		1,814				(58,049)
<b>(74,767)</b>	<b>Long Term Liabilities</b>					<b>(74,311)</b>					<b>(72,497)</b>
<b>206,543</b>	<b>Net Assets</b>					<b>208,676</b>					<b>214,535</b>
(11,966)	Capital Receipts Reserve			30b	(1,499)				512		(987)
(15,221)	Earmarked Reserves			30c	(16,351)						(16,351)
(1,412)	General Fund Balance			30d	(1,414)						(1,414)
(1,670)	Capital Grants Unapplied			30e	(2,159)						(2,159)
<b>(30,269)</b>	<b>Usable Reserves</b>					<b>(21,423)</b>					<b>(20,911)</b>
114	Accumulated Absences Reserve				77				(3)		74
(188,464)	Capital Adjustment Account			31b	(199,484)			(2,912)	(1,642)		(204,038)
(3,970)	Collection Fund Adjustment Account			31c	(1,402)						(1,402)
123	Deferred Capital Payments			31d	123						123
(2,348)	Deferred Capital Receipts			31e	(1,806)						(1,806)
76	Financial Instruments Adjustment Account				76						76
63,068	Pensions Reserve			31f	59,863		(1,814)				58,049
(44,873)	Revaluation Reserve			31g	(44,700)						(44,700)
<b>(176,274)</b>	<b>Unusable Reserves</b>					<b>(187,253)</b>					<b>(193,624)</b>
<b>(206,543)</b>	<b>Total Reserves</b>					<b>(208,676)</b>					<b>(214,535)</b>

## Watford Borough Council

### MAJOR CHANGES BETWEEN DRAFT AND REVISED STATEMENT OF ACCOUNTS

<b>19a Investments</b>		
Payment in advance moved to short term debtors		-744
Accruals - Investment Property		200
		<b>-544</b>
<b>21 Long Term Investments</b>		
Land Transfer - investment in LABV		1,642
Land Transfer - investment in Hart Homes		2,400
Reclassification of Loan from Investment to Long term loan		-6,500
Interest Accrued transfer from short term debtor		437
		<b>-2,021</b>
<b>21 Long Term Debtors</b>		
Reclassification of Loan from Investment to Long term loan		<b>6,500</b>
<b>22 Short Term Debtors</b>		
Payment in advance moved to short term debtors		744
Interest Accrued transfer from short term debtor		-437
		<b>307</b>
<b>29 Short Term Creditors</b>		
Accruals - Investment property		<b>-200</b>
<b>30b Capital Receipts Reserve</b>		
LABV distribution		<b>512</b>
<b>28 Pensions</b>		
Increased in returns on pension assets		<b>1,814</b>
<b>31b Capital Adjustment Account</b>		
Revaluation gain - land invested in LABV		-1,642
Revaluation gain - land invested in LABV		-512
		<b>2,154</b>
<b>31f Pension Reserve</b>		
Increased in returns on pension assets		<b>-1,814</b>

### 3 Major Changes – Watford Group Accounts

The audit of entries relating to the consolidated Group Accounts identified that a revised, simpler approach should be followed.

The overview impact on the Group Balance Sheet of these changes is provided in the following page. The first set of adjustments takes out the previous methodology, and the second column adds in the revised approach.

Martin Henwood

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## Watford Group Accounts

GROUP BALANCE SHEET									
Restated				Draft		Consolidation Adjustment		Group	
31 March 2017				31 March 2018		Reversal	Updated	31 March 2018	
£000				£000	£000	£000	£000	£000	£000
75,817	Land and Buildings			80,023				80,023	
13,096	Vehicles, Plant and Equipment			11,328		(4,010)		7,318	
1,056	Infrastructure Assets			687				687	
8,812	Assets Under Construction			6,900		(5,476)		1,424	
1,945	Heritage Assets			1,945				1,945	
142,355	Investment Properties			168,950				168,950	
300	Surplus Assets			605				605	
7,147	Long Term Investments			13,230		(2,484)	594	11,340	
9,740	Long Term Debtors			10,975		3,000		13,975	
<b>260,267</b>	<b>Long Term Assets</b>			<b>294,642</b>				<b>286,266</b>	
0	Assets Held for Sale			0				0	
5,649	Inventories and Work In Progress			3,018		(3,002)		16	
10,767	Short Term Debtors			10,856		(149)		10,707	
25,017	Short Term Investments			6,001				6,001	
11,809	Cash and Cash Equivalents			12,030		(2,039)		9,991	
<b>53,241</b>	<b>Current Assets</b>			<b>31,905</b>				<b>26,715</b>	
(27,377)	Short Term Creditors			(26,198)		844		(25,354)	
<b>(27,377)</b>	<b>Current Liabilities</b>			<b>(26,198)</b>				<b>(25,354)</b>	
471	Deferred Liabilities			362		(281)		81	
(7,500)	Loans			(7,500)				(7,500)	
(4,271)	Provisions			(7,030)				(7,030)	
(63,068)	Liability related to Defined Benefit Pension Scheme			(58,049)				(58,049)	
<b>(74,368)</b>	<b>Long Term Liabilities</b>			<b>(72,217)</b>				<b>(72,498)</b>	
<b>211,764</b>	<b>Net Assets</b>			<b>228,132</b>				<b>215,129</b>	
(11,966)	Capital Receipts Reserve			(987)				(987)	
(15,221)	Earmarked Reserves			(16,351)				(16,351)	
(1,412)	General Fund Balance			(1,414)				(1,414)	
(1,670)	Capital Grant unapplied			(2,159)				(2,159)	
(8,133)	Share of Joint Venture Reserve			(13,597)		13,597	(594)	(594)	
<b>(38,402)</b>	<b>Usable Reserves</b>			<b>(34,508)</b>				<b>(21,505)</b>	
114	Accumulated Absences Reserve			74				74	
(185,552)	Capital Adjustment Account			(204,038)				(204,038)	
(3,970)	Collection Fund Adjustment Account			(1,402)				(1,402)	
123	Deferred Capital Payments			123				123	
(2,348)	Deferred Capital Receipts			(1,806)				(1,806)	
76	Financial Instruments Adjustment Acc			76				76	
63,068	Pensions Reserve			58,049				58,049	
(44,873)	Revaluation Reserve			(44,700)				(44,700)	
<b>(173,362)</b>	<b>Unusable Reserves</b>			<b>(193,624)</b>				<b>(193,624)</b>	
<b>(211,764)</b>	<b>Total Reserves</b>			<b>(228,132)</b>		-	-	<b>(215,129)</b>	