

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
	Property, Plant and Equipment:										
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
260,495	Long Term Assets					281,736					285,671
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
45,197	Current Assets					26,405					26,715
(24,382)	Short Term Creditors			25	(25,154)				(200)		(25,354)
(24,382)	Current Liabilities					(25,154)					(25,354)
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)
(74,767)	Long Term Liabilities					(74,311)					(72,497)
206,543	Net Assets					208,676					214,535
(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)
(30,269)	Usable Reserves					(21,423)					(20,911)
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)
(176,274)	Unusable Reserves					(187,253)					(193,624)
(206,543)	Total Reserves					(208,676)					(214,535)

Watford Borough Council

MAJOR CHANGES BETWEEN DRAFT AND REVISED STATEMENT OF ACCOUNTS

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

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.

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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	
260,267	Long Term Assets			294,642				286,266	
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	
53,241	Current Assets			31,905				26,715	
(27,377)	Short Term Creditors			(26,198)		844		(25,354)	
(27,377)	Current Liabilities			(26,198)				(25,354)	
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)	
(74,368)	Long Term Liabilities			(72,217)				(72,498)	
211,764	Net Assets			228,132				215,129	
(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)	
(38,402)	Usable Reserves			(34,508)				(21,505)	
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)	
(173,362)	Unusable Reserves			(193,624)				(193,624)	
(211,764)	Total Reserves			(228,132)		-	-	(215,129)	