

# **Draft Statement of Accounts**

## **2022/23**



**WELWYN  
HATFIELD**

## Contents

Narrative Report of the Executive Director (Finance and Transformation) .....	2
Expenditure and Funding Analysis .....	18
Comprehensive Income and Expenditure Statement .....	20
Movement in Reserves Statement .....	21
Balance Sheet .....	23
Cash Flow Statement .....	24
Notes to the Accounts .....	26
Group Accounts .....	93
Housing Revenue Account Income and Expenditure Statement .....	108
Movement on the Housing Revenue Account Statement.....	109
Notes to the Housing Revenue Account.....	110
Collection Fund.....	112
Notes to the Collection Fund .....	114
Statement of Responsibilities .....	115
Glossary of Terms .....	116

Please note that figures are rounded to the nearest thousand (where applicable) throughout the document and may not sum due to rounding.

## Narrative Report

Financial Year ended 31 March 2023

Dear Reader,

I am pleased to present the Welwyn Hatfield Borough Council Statement of Accounts for the financial year 2022/23, and I hope you will find them of interest.

In what has been another extraordinary year, the Council has continued to operate in challenging financial times, but it is pleasing to report that the Council's financial standing remains strong, with sound financial management practices and controls.

My narrative report includes the financial statements with an overall explanation of the Council's financial position during 2022/23 and commentary on the medium term picture. It also includes information about the operation of the Council and the major influences affecting the accounts. In addition, it covers information on service and financial performance over the financial year ending 31 March 2023, risks and community engagement. All this information is given with the aim of providing all stakeholders and interested parties' assurance as to the Council's sound financial standing and that public money has been properly accounted for.

The narrative report is presented under the following headings:

**About our Area and our Council**

**Our Priorities and Commitments (Plan on a Page 2021 to 2024)**

**Financial Overview of 2022/23**

**A Summary of the Council's Financial Performance in 2022/23**

**Medium Term Financial Strategy 2022/23 to 2025/26**

**Housing Company**

**Explanation of the Financial Statements**

**Corporate and Strategic Risks**

**Community Engagement and Feedback**

**Further Information**

## About our Area and our Council

- The borough is located in central Hertfordshire covering an area of approximately 130 square kilometres. Around 79 per cent of the borough is currently designated as part of the Metropolitan Green Belt.
- It includes the two towns of Hatfield and Welwyn Garden City (WGC) and eight other large villages and settlements to the north and south of these towns. Around 76 per cent of the population live in the two towns.
- The borough's location on radial routes out of London means it is highly accessible by road and rail with the A1(M) and the East Coast Main Line running north and south through the borough, and the M25 located just to the south of the borough.
- The borough's population is estimated to be around 120,000 based on the 2021 census.
- There is a significant student population at the University of Hertfordshire in Hatfield in the College Lane and de Havilland campuses, and at two other college campuses at Oaklands College in Welwyn Garden City and the Royal Veterinary College in Potters Bar.
- The borough continues to offer good employment opportunities with more than one job available for every working age resident, with many people commuting into the borough to work and commuting out towards London.
- The health of the local population is generally very good, with life expectancy recorded above the national average for males and females and there are currently no health indicators in which the borough is significantly worse than the national average.
- We are one of ten borough and district councils in Hertfordshire that work together with the county council and many different town and parish councils to provide a wide range of local services.
- We are represented by 48 borough councillors in 16 wards who are directly elected by public vote to serve up to four year terms of office, with a Cabinet made up of 7 members of the controlling political group as at 31 March 2023.
- A Mayor and Deputy Mayor are appointed to serve one year terms of office.
- We directly employ over 400 full time equivalent staff across a range of key services including housing, regeneration, planning, environment, resources, environmental health, leisure, community, legal and a range of support services.
- We work with many community and commercial partners who provide local services on our behalf, some of whom are contracted on long term partnerships to deliver high quality value for money services to residents and businesses



## Our Plan on a Page 2021-24

### YOUR PRIORITIES

### OUR COMMITMENTS

	<b>ATTRACTIVE AND ACCESSIBLE GREEN SPACES</b>	<ul style="list-style-type: none"> <li>✓ Provide a variety of green spaces for all our communities to enjoy</li> <li>✓ Involve our communities in the use of our green spaces</li> </ul>
	<b>EVOLVING, VIBRANT TOWN CENTRES AND A GROWING ECONOMY</b>	<ul style="list-style-type: none"> <li>✓ Support businesses as they adapt for the future</li> <li>✓ Recognise the importance of town centres as the heart of our communities</li> </ul>
	<b>QUALITY HOMES THROUGH MANAGED GROWTH</b>	<ul style="list-style-type: none"> <li>✓ Deliver more affordable homes to meet local housing need</li> <li>✓ Provide high quality housing, thriving neighbourhoods and sustainable communities</li> </ul>
	<b>A SENSE OF COMMUNITY WHERE PEOPLE FEEL SAFE</b>	<ul style="list-style-type: none"> <li>✓ Invest in strong, inclusive and supportive communities</li> <li>✓ Create welcoming neighbourhoods and community spaces where people feel safe</li> </ul>
	<b>A WELL-RUN COUNCIL WHICH PUTS OUR CUSTOMERS FIRST</b>	<ul style="list-style-type: none"> <li>✓ Put our customers at the centre of what we do and how we design our services</li> <li>✓ Deliver modern, efficient and transparent services for everyone</li> <li>✓ Continue to be an employer of choice, attracting and retaining the best talent</li> </ul>

### WE WILL CONTINUE TO...



## 1. Financial Overview of 2022/23

The Budget and Council Tax for 2022/23 was set by Full Council in February 2022 alongside Council's Medium Term Financial Strategy 2022/23 to 2025/26. The budget set out the detailed financial plans for the authority in its Revenue and Capital budgets for the 2022/23 year.

Throughout 2022/23, the Council's finances and services were directly impacted by economic uncertainty following the pandemic, fuel inflation and the cost of living crisis, along with a general decline in public sector funding from Government.

The Council was able to make use of grants provided by the government to offset some of these costs, as well as using earmarked reserves set aside in 2021/22. Despite including prudent assumptions for financial risks, the future remains uncertain. More details on the impacts are set out in section 2.8.

The Council sets its budget in order to respond to these financial challenges, and the reduction to government funding to Local Government. Each year these challenges get harder to achieve. The focus of the Council has remained on driving out inefficiency whilst also embracing new processes and allowing investment in public facing services and, in 2022/23 we successfully implemented savings whilst also contributing to Strategic reserves.

In 2022/23 the Council set a General Fund Net Cost of Services Budget of £13.35m. The Council Tax requirement for the borough was £9.75m, with a parish precept of £1.89m, giving a total Council Tax requirement of £11.641m. The remaining income comes from government grant and Non-Domestic Rates. The budget included general fund savings of £1.49m. The general fund outturn was £15.61m, and contributions from reserves have resulted in a net increase in the General Fund balance of £0.103m.

The Housing Revenue Account (HRA) Net Cost of Services Budget was £13.92m with a planned increase to the HRA reserve of £0.15m. The final HRA outturn position was a £0.11m increase to the HRA reserve.

At 31 March 2023 the Council has £1.282bn of Non-Current Assets on its balance sheet, of which £1.072bn relates to the HRA Council Dwellings. The net value of Non-Current assets increased by £44.54m over the year. There were additions of £48.75m due to capital expenditure and £11.93m of Non-Current assets were disposed of.

## 2. A Summary of the Council's Financial Performance in 2022/23

### 2.1 General Fund Revenue Outturn

The Statement of Accounts sets out the Council's spending and financing in line with accounting and statutory requirements. The Council has a very robust financial position and has sound financial management.

The outturn for 2022/23 is a contribution to reserves of £1.152m, which compares to an original budgeted contribution to reserves of £0.931m.

The Outturn as reported in this section and Housing Revenue Outturn in 2.2 provide the Outturn as reported to Cabinet, as also shown in the Expenditure and Financing Analysis.

The below table shows a summary of the services budget and net expenditure outturn.

	Original Budget	Actual	Variance
	£'000	£'000	£'000
Customer Service and Transformation	1,793	1,681	(112)
Finance	3,903	4,895	993
ICT and Digital	1,448	2,124	676
Legal and Governance	2,314	2,551	238
<b>Executive Director (Finance and Transformation)</b>	<b>9,457</b>	<b>11,251</b>	<b>1,794</b>
Leisure, Community and Cultural Services	1,864	3,230	1,365
Planning	925	1,549	623
Regeneration and Economic Development	(2,225)	(2,927)	(702)
<b>Executive Director (Place)</b>	<b>565</b>	<b>1,851</b>	<b>1,286</b>
<b>Service Director (Property Maintenance and Climate Change)</b>	<b>(743)</b>	<b>83</b>	<b>825</b>
<b>Service Director (Resident and Neighbourhood)</b>	<b>7,875</b>	<b>7,822</b>	<b>(53)</b>
<b>Senior Leadership Team</b>	<b>1,642</b>	<b>928</b>	<b>(715)</b>
Net Recharge to the Housing Revenue Account	(5,446)	(6,323)	(877)
<b>Net Operating Expenditure</b>	<b>13,350</b>	<b>15,611</b>	<b>2,260</b>
Capital Financing, Interest Costs and Debt Impairment	1,454	684	(770)
<b>Total Net Expenditure</b>	<b>14,804</b>	<b>16,295</b>	<b>1,490</b>
<b>Funded by:</b>			
Retained Business Rates	(3,930)	(3,303)	627
Government Grants	(1,044)	(1,432)	(388)
Council Tax	(11,641)	(11,641)	-
Collection fund deficit/(surplus)	(940)	(3,068)	(2,128)
<b>Total Funding</b>	<b>(17,555)</b>	<b>(19,444)</b>	<b>(1,889)</b>
<b>Net Outturn</b>	<b>(2,751)</b>	<b>(3,149)</b>	<b>(399)</b>
Parish Precepts	1,894	1,894	-
Net Contribution (from) / to Earmarked Reserves	931	1,152	221
<b>Net (Increase) / Decrease in General Fund Balance</b>	<b>74</b>	<b>(103)</b>	<b>(178)</b>

The final outturn is a contribution to General Fund balances of £0.103m and an increase in earmarked reserves of £1.152m.

The significant variances contained within the outturn are as follows:

- Leisure, Community and Cultural Services - £0.500m net adverse variance on cultural and leisure facilities – increased costs of utilities due to fuel inflationary increases, as well as the cost of living crisis has caused losses of income at the Council’s facilities including Campus West and Sports facilities.
- Planning - £0.631m net adverse variance due to additional legal and consultancy costs being incurred in 2022/23 due to planning enforcement activities, public enquiries, planning appeals and defence of judicial reviews.
- Property Maintenance and Climate Change – £0.654m net adverse variance caused by inflationary pressures on utilities, shortfall in income from garages and a higher level of repairs being required than were budgeted for.
- Resident and Neighbourhood – (£1.062m) net favourable variance caused by net income from recycling and recycling subsidies being higher than expected. Expenditure in this area is hard to predict as it is based on the volatile recycling market and is also affected by external macro-economic events.
- Interest and Investment Income - £0.797m net favourable variance. Interest and investment income received by the Council has been higher than expected due to higher interest rates throughout the year.

Further information on the movement of earmarked reserves can be found in Note 8 – Earmarked Reserves.

## 2.2 Housing Revenue Account Outturn

The Council is legally obliged to hold separate accounts for the running of its housing stock. The balance at the end of 2022/23 was £2.764m.

A comparison of actual spending during the year and the original budget is summarised below. The Housing Revenue Account outturn was a £111k contribution to balances, compared to a budgeted contribution of £154k.

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Income	(55,330)	(55,128)	202
Expenditure	40,559	45,970	5,411
HRA Share of Corporate Democratic Core	853	1,212	359
<b>Net Cost of Service</b>	<b>(13,918)</b>	<b>(7,946)</b>	<b>5,972</b>
Statutory Items Expenditure	13,764	7,835	(5,929)
<b>Net (Increase) / Decrease in HRA Balance</b>	<b>(154)</b>	<b>(111)</b>	<b>43</b>

This table summarises the Housing Revenue Account outturn as reported to Cabinet. The key variances in drawdown from balances are:



- £2.966m net adverse Expenditure variance on Repairs and Maintenance caused by an increase in demand for responsive repairs, impacted by higher inflation rates than predicted, along with higher prices for materials.
- (£1.545m) favourable Expenditure variance on interest paid. The amount of interest paid was lower than budgeted due to a lower level of borrowing than anticipated, mainly linked to the rephasing of capital schemes to later years.
- (£1.527m) favourable Expenditure variance on the depreciation charge. This charge is based upon actual valuation of properties. The depreciation charge is credited to the major repairs reserve to fund the capital programme. The reduction to the charge will be offset by an increase in the revenue contribution to capital. This means both the revenue and capital funds will not be materially impacted by changes in valuation.

## 2.3 Capital Outturn

The total capital expenditure in the 2022/23 financial year was £49.33m, compared with an original budget of £118.79m, resulting in a favourable variance of £69.46m. This comparison relates to spend against original budgets, which do not include re-phased amounts from 2021/22.

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Executive Director - Finance and Transformation (GF)	2,013	5,707	(3,694)
Executive Director - Place (GF)	1,823	5,631	(3,808)
Service Director - Property Maintenance and Climate Change (GF)	1,355	1,865	(510)
Service Director - Resident and Neighbourhood (GF)	677	5,569	(4,892)
Loans to Now Housing (provision of affordable housing)	60,570	-	60,570
Executive Director - Finance and Transformation (HRA)	-	17	(17)
Executive Director - Place (HRA)	23,515	17,940	5,575
Service Director - Property Maintenance and Climate Change (HRA)	28,716	12,346	16,370
Service Director - Resident and Neighbourhood (HRA)	125	258	(133)
<b>Capital Expenditure Out-Turn</b>	<b>118,794</b>	<b>49,333</b>	<b>69,461</b>
<b>Funded By:</b>			
Capital Grants and Contributions	1,138	7,296	(6,158)
Borrowing	89,783	7,817	81,966
Capital Receipts and Reserves	21,616	28,743	(7,127)
Revenue Contribution to Capital	6,257	5,477	780
<b>Total Funding Received</b>	<b>118,794</b>	<b>49,333</b>	<b>69,461</b>

The main projects undertaken during the year include:

- £4.51m on Welwyn Garden City Town Centre North regeneration and redevelopment.
- £5.65m on the building of a new crematorium.
- £2.50 on the redevelopment and upgrade of the Tewin Road refuse depot.
- £2.49m on the development of a new Household Waste and Recycling Centre.
- £17.94m on the purchase and development of affordable housing properties.
- £12.19m on capital improvements and replacements of major components for the Councils Housing stock.

There was a reduction in spend against the original budget due to re-phasing of some of the Councils larger regeneration and development projects. These schemes are still pressing ahead, and the budget will be utilised for the projects in future years. For areas of overspend, there is budget for these projects in future years, and these budgets will be brought forward to cover the overspend.

## Balance Sheet

The Council has maintained a very strong balance sheet, with £1.282bn of Non-Current Assets as at 31 March 2023 and current assets of £46.310m, current liabilities of £79.282m, and long term liabilities of £226.574m. Furthermore, the Council has usable reserves of 41.031m.

	At 31 March 2023 £'000	At 31 March 2022 £'000
Non-current Assets	1,281,657	1,237,119
Current Assets	46,310	46,401
Current Liabilities	(79,282)	(70,707)
Long Term Liabilities	(226,574)	(265,136)
<b>Net Assets</b>	<b>1,022,111</b>	<b>947,677</b>
<b>Represented by:</b>		
Usable Reserves	(41,031)	(45,272)
Unusable Reserves	(981,080)	(902,405)
<b>Total Reserves</b>	<b>(1,022,111)</b>	<b>(947,677)</b>

## 2.4 Pensions Liability

This year the pension fund deficit decreased to £0.41m from £41.88m in 2021/22. The decrease is mainly due to significant changes in actuarial financial assumptions, as well as increased rates of inflation.

The pension liability has a significant effect on the net worth of the Council; however, our annual contribution to the fund and the statutory arrangements for funding the deficit over time means that the financial position of the authority remains healthy, and sudden swings in liability do not materially affect the council in the medium term.

The last Triennial pension valuation was based on March 2022, and contribution rates have been agreed until March 2026.

## 2.5 Borrowing and Capital Financing

The Authority currently has £269.67m borrowing outstanding relating to the Housing Stock debt that transferred on 1 April 2012 and the development of new social housing. The Council has set a borrowing limit of £458.60m. There has been new long-term borrowing of £23m in 2022/23 with no early redemptions. There has been £13m of new short-term borrowing relating to the General Fund.

The Capital Programme for 2022/23 to 2026/27 was agreed by Council in February 2022. This outlined the capital expenditure planned of £118.79m for 2022/23 and £165.51m for the following four years (excluding re phasing of remaining 2021/22 schemes).

During 2022/23 there was a reduced need to borrow externally compared to original forecasts. The Capital programme included further capital loans to Now Housing Limited. Due to the decision to close the company (see section 4), no capital loans were made in 2022/23 to the company. There has been some rephasing of capital projects, which along with the reduced borrowing requirement for Now Housing, resulted in higher reserve balances at year end. This has led to favourable variances on the General Fund outturn position.

## 2.6 Provisions, contingent liabilities and assets

Changes include an increase of £0.349m for Business Rates appeals provisions, based on the appeals lodged with the Valuation Office as at 31 March 2023 and other available data such as Government statistics.

## 2.7 Significant changes in accounting policies

The accounts for 2022/23 are presented in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and the transactions of a local authority.

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to the Statement of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2015.

The 2022/23 Code incorporates required accounting standard amendments, although there were no material impacts on the council as a result of the amendments.

## 2.8 Economic Climate

Since 2010 the Council has delivered approximately £19m of efficiency savings to maintain a balanced budget ensuring it balances the reduction in funding received from central government and growth in demand for some services. There are a number of uncertainties relating to local government funding that will impact the Councils finances over time.

These include:

- The Council was accepted into a business rates pooling arrangement for 2022/23 with other Hertfordshire authorities. As this is only a one year arrangement, any additional income cannot be relied upon to support budget gaps in future years, and there is no pool set up for 2023/24. It is unclear what will apply in future years.

- At the same time, a fair funding review is being carried out, which will set new baseline funding allocations for local authorities and could have a significant impact to the funding of the Council. On 13th December 2018, the government published a technical paper on the “Review of local authorities’ relative needs and resources”, which consulted on the assessment of relative needs, relative resources and transitional arrangements. This consultation outlined Government proposals to change the way in which the funding, and assessment of need is calculated for Local Authorities. It is unclear when this review will complete.
- The increase in costs of living is an area which could have an adverse impact on the ability of residents and council tenants to meet their debt obligations, resulting in increased rent arrears and council tax, and a financial pressure on the Council going forward.
- The economic uncertainties and pressures are causing rises in interest rates, which may continue to impact of the cost of capital schemes. Wider inflationary increases may have an impact on the council contract costs in the coming years.
- See the Medium-Term Financial Plan for how the Council plans to manage its resources over a five-year period in order to meet the Council's overall corporate objectives. [The budget – Welwyn Hatfield Borough Council \(welhat.gov.uk\)](https://www.welhat.gov.uk/budget)

## 2.9 Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for twelve months from the date that the accounts are authorised for issue.

The Council has undertaken cash flow modelling through to October 2024 which demonstrates the Council’s ability to work within its Capital Financing Requirement and cash management framework.

It is therefore noted that based on the Council’s cash flow forecasting and resultant liquidity position, cash and short term investment balances of £22.9m at 31 March 2023 and the ability to borrow short term if required, the Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of approval of the accounts. This demonstrates that the Council has sufficient liquidity over the same period, assuming forecast minimal short-term borrowings for liquidity purposes if required.

Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern.

## 2.10 Collection Fund Rates for Council Tax and National-Non Domestic Rates

The collection rates achieved during 2022/23 are summarised below:

Collection Rate 2022/23	Budget	Actual
Council Tax	99.4%	97.82%
NDR	99.7%	98.16%

Collection rates for Council Tax have increased from 2021/22 as the impacts of the pandemic ease. Collection rates for Business Rates remain at a very similar level to 2021/22. The budgeted value is the long term collection rate target, not the in year collection rate target.

A deficit remains on the collection fund. However, government grants have been set aside in earmarked reserves fully cover the repayment of the deficit.

## 2.11 Non-Current Asset Revaluation

The Council appointed Avison Young to carry out a rolling valuation programme of a proportion of the General Fund assets in 2022/23.

The District Valuer was appointed to carry out a desktop valuation of the Housing Revenue Account's housing stock as at 31 March 2023.

The impact of these valuations is reported within the notes to these accounts.

## 3. Medium Term Financial Strategy 2022/23 – 2025/26

The Medium Term Financial Strategy (MTFS) for 2022/23 to 2025/26 was agreed by Full Council in February 2022. This sets out the Council's strategy for maintaining financial sustainability and a commitment to provide the best possible value for money for the community.

It also provides a framework for the Council to plan and manage its resources over the current Comprehensive Spending Review period in order to meet the Council's overall corporate objectives.

The council is in a strong financial position with General Fund reserves of £7.4m at the end of 2022/23, and a HRA Balance of £2.27m. This is a direct result of robust financial management and a prolonged period of achieving efficiencies to balance the budget. However, in line with other local authorities, the Council is facing a continued period of severe financial constraints and uncertainties over the medium term as the reductions of central government grant persist and the future of local government responsibilities remains unclear.

The Council is required to find a further £2.2m of savings on the general fund by 2024/25 in order to live within its means and maintain a reasonable cushion in reserves. This is a significant challenge and whilst the focus remains on safeguarding services it may not be possible to find efficiencies of this magnitude and guarantee no impact upon frontline services. It is important to note that the current General Fund reserve provides some opportunity for some longer term planning and delivery of income generation projects that will help to address the budget gap.

Despite the challenging environment, the Council seeks to continue to reduce its costs, sharing good practice, simplifying delivery processes and shrinking the Council's administration cost. However, it is possible that the proposed changes in the local government finance system could have a detrimental impact on the ability of the Council to balance its budget. In addition to this, the government rent caps and other housing related government policy proposals do create challenges for the sustainability of the HRA over the medium term. The council will need to continue to borrow externally to fund the Affordable Housing Programme.

There remain a high number of uncertainties and risks to the Council's finances in the medium term, the details of which are contained within the MTFS. The Council will continue to experience pressure on services arising from demographic and government policy changes and continued high expectations of service delivery. We will keep our MTFS under review and make changes accordingly to reflect the rapidly changing local government environment.

## 4. Housing Company

In January 2019 Cabinet approved the creation of a new local housing company with the objectives of:

- Providing good quality, well managed homes for residents in the borough of Welwyn Hatfield which people can afford to live in and which complement the council's existing and planned housing provision,
- Supporting the growing local demand for a mix of housing tenures by providing intermediate, low-cost home ownership or open market homes and letting sub-market and market rented homes,
- Being a financially robust company, generating a profit to be used for the purpose of providing more affordable housing and delivering financial returns to the shareholder,
- Stimulating local housing regeneration and partnership working.

The Housing Company started trading in December 2020 with the acquisition of 12 apartments. However, due to increased construction costs, wider inflationary pressures, limitations on its' ability to increase rents and site availability, the Company was struggling to become profitable. The decision was therefore taken to close down the Company before losses accumulated and the Housing Company ceased trading on 31 March 2023.

Group Accounts have been prepared to include the Housing Company and are contained within the Statement of Accounts.

## 5. Explanation of the Financial Statements

### Movement in Reserves statement (MiRS)

The movement in the year on the different reserves held by the Council is shown in this statement. This is analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Movement in Reserves Statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

- the increase or decrease in the net worth of the authority as a result of incurring expenses and generating income,

- the increase or decrease in the net worth of the authority as a result of movements in the current or fair value of its assets,
- movements between reserves to increase or reduce the resources available to the authority according to statutory provisions.

## Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and Movement in Reserves statements.

## Balance Sheet

The value at the end of the reporting period (i.e., 31 March) of the assets and liabilities recognised by the authority are shown on the balance sheet. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

- Usable reserves - those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt),
- Unusable reserves - those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

## Cash Flow Statement

This statement shows the movement in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities.

The net cash flow arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Council.

## Notes to the core financial statements

The notes provide support to the core financial statements, inform the reader and give sufficient information to present a good understanding of the Council's activities.

## Statement of Accounting Policies

These set out the principles, rules, conventions and practices applied that specify how the effects of transactions and other events are reflected in the accounts.

## Supplementary financial statements:

### The Housing Revenue Account (HRA) - Income and Expenditure statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

The increase or decrease in the year on the basis on which rents are raised is shown in the Movement on the Housing Revenue Account Statement.

### The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

### Notes to the supplementary financial statements

The notes provide support to the supplementary financial statements; inform the reader and give sufficient information to present a good understanding of the Council's activities. The notes are part of the detail that helps to ensure the statements show a true and fair view of the Council's financial position.

## 6. Corporate and Strategic Risks

The council continues to operate in a challenging environment. We are a complex organisation, delivering on a range of priorities for our communities against a backdrop of tighter finances and the need to continuously improve efficiency and customer focus. We work to deliver our priorities in partnership with many organisations across the public, private and third sectors.

Within this context the management of risk, including opportunity risk, is essential to ensure the achievement of our objectives. The effective management of risk is a statutory requirement and is also a central component of the council's governance.

A planned approach to the identification, analysis and mitigation of risk helps to plan for the right balance between innovation and change, and the avoidance of unexpected risk events.

A risk management framework is in place for the Council's risks which are managed under two main areas of strategic and operational risks. The current top risks from the council's risk register include those outlined below:

Risk Title and Description	Controls
<b>Management of Council Owned Housing Property Assets</b> Failure to provide and maintain council housing property assets.	Asbestos Management Electrical Safety Fire Risk Assessment Organisation and Responsibilities



	<p>Planned Works Delivery          LGSR Compliance          Policy and Procedure Framework          Water Hygiene Management          Lift Safety Management          H&amp;S Policies and Procedures</p>
<p><b>Workforce</b>          Failure to recruit and retain staff with key skills.</p>	<p>Apprenticeship Scheme          Corporate Management Assurance Statement          Departmental Training Plans          Flexible Working          Green Travel Plan          Health and Wellbeing Programme          Employee Forum          HR Policies          Recruitment and Selection Process          Sickness Absence Policy          Workforce Development Strategy          Training and Awareness of HR Staff          Agency Staff Policy          Reporting to ROSC          Appraisals and 1:1 Process          Meetings with Trade Unions          Disciplinary and Grievance Policy</p>
<p><b>Health and Safety</b>          Failure to maintain an adequate and effective safety management system within the Council.</p>	<p>Collective Responsibility of Senior Leadership Team          Corporate Health and Safety Policies and Procedures          Health, Safety and Resilience Team          Staff Induction and Training</p>
<p><b>Corporate Resilience</b>          Failure to meet the requirements of the Civil Contingencies Act, or failure to respond appropriately to a civil emergency or business continuity incident.</p>	<p>Local Resilience Forum          WHBC Emergency Plan          Crisis Support Team          Training and Exercising          Resilient Telecommunications          Business Continuity Policy and Plans</p>
<p><b>Finance</b>          Failure to identify long term efficiency plans to ensure the medium and long-term sustainability of the council.</p>	<p>Medium Term Financial Strategy          Minimum Revenue Provision Policy          Transformation Programme          Culture of change and improvement          Budget Monitoring Processes and Procedures          Monitoring of Debt Collection Rates          Financial Regulations          Financial Systems and Controls          Reserve Policy and Strategy</p>

<b>ICT</b> Critical failure of ICT services.	Database Updates Disaster Recovery Plan ICT Strategy Infrastructure Review Malware Detection PSN Compliance Testing Temporary PSTN Connection
<b>Management of Council Owned Non-Housing Property Assets</b> Failure to provide and maintain council owned non-housing property assets.	Asset Management Plan Property Portfolio Health and Safety Policies and Procedures Compliance Monitoring
<b>Homelessness</b> Failure to meet the demand of homelessness.	Delivery Strategy HRA Business Plan Housing, Homelessness and Rough Sleeping Strategy Budget Monitoring Processes and Procedures Night Shelter and Rough Sleeper Navigators Private Sector Navigator Post Provision of Temporary Accommodation Stock Use of Funding for Homelessness Prevention

## 7. Community Engagement and Feedback

The council welcomes the views of local residents, businesses, user groups, and other stakeholders about the Council's performance. There are also a number of qualitative performance indicators that assist in explaining how the council's services are perceived by its users.

Further information about the Council's performance can be found on our website at the following link: <https://www.welhat.gov.uk/reports>

For further information on how you can be consulted on Council decisions, or to provide feedback on our services, please visit <http://www.welhat.gov.uk/Haveyoursay>

## 8. Further Information

If you would like to receive further information about these accounts, please do not hesitate to contact me at [accountancy@welhat.gov.uk](mailto:accountancy@welhat.gov.uk) or 01707 357000.

**Richard Baker (CPFA)**  
**Executive Director (Finance and Transformation)**  
**4 September 2023**

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the accounts that shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates / services / departments and is not a primary statement of the accounts. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23

	Notes	Out-Turn as reported to Cabinet £'000	Adjustments <sup>1</sup> £'000	Net Expenditure Chargeable to the GF and HRA £'000	Adjustments between Funding and Accounting Basis			Net Expenditure in the CIES £'000
					Adjustments for Capital Purposes £'000	Net Charge for Pensions Adjustments £'000	Other Differences £'000	
Executive Director (Finance and Transformation)		11,251	(7,062)	4,189	346	541	235	5,311
Executive Director (Place)		1,851	2,394	4,245	3,284	803	6	8,339
Service Director (Property Maintenance and Climate Change)		83	(1,636)	(1,554)	836	60	0	(657)
Service Director (Resident and Neighbourhood)		7,822	1,152	8,973	655	380	3	10,012
Senior Leadership Team		928	(792)	136	0	78	0	214
Housing Revenue Account		(111)	(5,874)	(5,985)	(3,881)	703	(7)	(9,170)
<b>Net cost of Services</b>		<b>21,824</b>	<b>(11,818)</b>	<b>10,004</b>	<b>1,240</b>	<b>2,565</b>	<b>237</b>	<b>14,049</b>
Other operating expenditure	9			1,894	845	0	0	2,739
(Income) and expenditure in relation to investment	10			6,181	1,500	1,164	(173)	8,673
Taxation and Non-specific Grant Income and Expenditure	11			(19,444)	(6,948)	0	2,437	(23,955)
<b>(Surplus) or Deficit</b>				<b>(1,365)</b>	<b>(3,363)</b>	<b>3,729</b>	<b>2,501</b>	<b>1,506</b>
<b>Opening General Fund and HRA Balances<sup>2</sup></b>				<b>(19,463)</b>				
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year				(1,365)				
<b>Closing General Fund and HRA Balances at 31 March<sup>2</sup></b>				<b>(20,828)</b>				

# Expenditure and Funding Analysis

2021/22

	Notes	Outturn as reported to Cabinet £'000	Adjustment <sup>1</sup> £'000	Net Expenditure Chargeable to the GF and HRA £'000	Adjustments between Funding and Accounting Basis			Net Expenditure in the CIES £'000
					Adjustments for Capital Purposes £'000	Net Charge for Pensions Adjustments £'000	Other Differences £'000	
Executive Director (Finance and Transformation)		12,360	(6,231)	6,129	264	519	(52)	6,859
Executive Director (Place)		1,612	2,540	4,152	3,394	745	(76)	8,215
Service Director (Property Maintenance and Climate Change)		(567)	(1,131)	(1,698)	918	76	(9)	(713)
Service Director (Resident and Neighbourhood)		6,511	1,191	7,702	6,425	345	(36)	14,435
Senior Leadership Team		1,370	(1,247)	123	0	186	(20)	288
Housing Revenue Account		(101)	(5,603)	(5,704)	(4,993)	738	(98)	(10,057)
<b>Net cost of Services</b>		<b>21,185</b>	<b>(10,481)</b>	<b>10,704</b>	<b>6,008</b>	<b>2,608</b>	<b>(292)</b>	<b>19,028</b>
Other operating expenditure	9			2,649	215	0	0	2,864
(Income) and expenditure in relation to investment	10			5,854	(885)	1,106	(1,151)	4,924
Taxation and Non-specific Grant Income and Expenditure	11			(9,455)	(6,589)	0	(8,518)	(24,561)
<b>(Surplus) or Deficit</b>				<b>9,752</b>	<b>(1,251)</b>	<b>3,714</b>	<b>(9,961)</b>	<b>2,254</b>
<b>Opening General Fund and HRA Balances<sup>2</sup></b>				<b>(29,215)</b>				
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year				9,752				
<b>Closing General Fund and HRA Balances at 31 March<sup>2</sup></b>				<b>(19,463)</b>				

<sup>1</sup> Some transactions are not reported to Cabinet in our monitoring as this focusses on activities delivered by services.

<sup>2</sup> For a split of this balance between the General Fund and the HRA and Earmarked Reserves – see the Movement in Reserves Statement.

# Comprehensive Income and Expenditure Statement

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	<i>Notes</i>	2022/2023			2021/2022		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Executive Director (Finance and Transformation)		39,792	(34,481)	5,311	40,187	(33,328)	6,859
Executive Director (Place)		21,310	(12,971)	8,339	17,873	(9,658)	8,215
Service Director (Property Maintenance and Climate Change)		1,595	(2,252)	(657)	1,585	(2,297)	(712)
Service Director (Resident and Neighbourhood)		13,255	(3,243)	10,012	18,342	(3,907)	14,435
Senior Leadership Team		214	-	214	288	-	288
Housing Revenue Account		45,877	(55,047)	(9,170)	42,906	(52,963)	(10,057)
<b>Cost of Services</b>		<b>122,043</b>	<b>(107,994)</b>	<b>14,049</b>	<b>121,181</b>	<b>(102,153)</b>	<b>19,028</b>
Other operating expenditure	9			2,739			2,864
(Income) and expenditure in relation to investment	10			8,673			4,924
Taxation and Non-Specific Grant Income and Expenditure	11			(23,955)			(24,561)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>1,506</b>			<b>2,254</b>
(Surplus) or Deficit on revaluation of property, plant and equipment assets				(47,477)			(46,410)
Remeasurement of the net defined benefit liability / (asset)				(45,201)			16,850
<b>Other Comprehensive Income and Expenditure</b>				<b>(92,678)</b>			<b>(29,560)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(91,172)</b>			<b>(27,306)</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '*surplus or (deficit) on the provision of services*' line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The '*net increase /decrease before transfers to reserves*' line shows the statutory General Fund balance and Housing Revenue Account Balance before any discretionary transfers to / from reserves undertaken by the council.

2022/23

	Notes	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Earmarked Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2022</b>		(6,682)	(2,653)	(20,265)	(5,544)	(10,128)	(45,272)	(902,405)	(947,677)
Changes		-	-	-	-	-	-	-	-
<b>Balance at 01 April 2022</b>		(6,682)	(2,653)	(20,265)	(5,544)	(10,128)	(45,272)	(902,405)	(947,677)
<b>Movement in Reserves during 2022/23</b>									
Total comprehensive income and expenditure		3,257	(1,752)	-	-	-	1,505	(75,891)	(74,386)
Adjustments between accounting basis and funding basis under regulations	7	(4,514)	1,642	5,246	358	-	2,732	12,088	14,819
Transfers to / from reserves	8	1,152	-	-	-	(1,152)	-	(46)	(46)
<b>Increase / (Decrease) in 2022/23</b>		<b>(105)</b>	<b>(110)</b>	<b>5,246</b>	<b>358</b>	<b>(1,152)</b>	<b>4,237</b>	<b>(63,849)</b>	<b>(59,613)</b>
<b>Balance at 31 March 2023</b>		<b>(6,787)</b>	<b>(2,763)</b>	<b>(15,019)</b>	<b>(5,186)</b>	<b>(11,280)</b>	<b>(41,035)</b>	<b>(966,254)</b>	<b>(1,007,290)</b>

## Movement in Reserves Statement

2021/22

	<i>Notes</i>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Useable Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total Council Reserves £'000</b>
<b>Balance at 31 March 2021</b>		<b>(6,902)</b>	<b>(2,552)</b>	<b>(20,946)</b>	<b>(5,528)</b>	<b>(19,760)</b>	<b>(55,688)</b>	<b>(831,948)</b>	<b>(887,636)</b>
Changes		(0)	1	(0)	(0)	0	0	1	1
<b>Balance at 01 April 2021</b>		<b>(6,902)</b>	<b>(2,551)</b>	<b>(20,946)</b>	<b>(5,528)</b>	<b>(19,760)</b>	<b>(55,688)</b>	<b>(831,947)</b>	<b>(887,635)</b>
<b>Movement in Reserves during 2021/22</b>									
Total comprehensive income and expenditure		6,418	(4,086)	-	-	-	2,332	(62,329)	(59,997)
Adjustments between accounting basis and funding basis under regulations	7	3,434	3,985	680	(17)	-	8,083	(8,116)	(33)
Transfers to / from reserves	8	(9,632)	-	-	-	9,632	-	(10)	(10)
<b>Increase / (Decrease) in 2021/22</b>		<b>220</b>	<b>(101)</b>	<b>680</b>	<b>(17)</b>	<b>9,632</b>	<b>10,415</b>	<b>(70,456)</b>	<b>(60,041)</b>
<b>Balance at 31 March 2022</b>		<b>(6,682)</b>	<b>(2,652)</b>	<b>(20,265)</b>	<b>(5,544)</b>	<b>(10,128)</b>	<b>(45,274)</b>	<b>(902,405)</b>	<b>(947,677)</b>

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

	<b>Notes</b>	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
Property, plant and equipment	14	1,268,600	1,219,350
Heritage Assets		89	95
Investment properties	15	4,520	6,020
Intangible assets	16	278	314
Long-term Investments	17.2	3,681	4,722
Long-term Debtors	18	4,489	6,618
<b>Long-term assets</b>		<b>1,281,657</b>	<b>1,237,119</b>
Short-term investments	17.2	23,735	22,128
Inventories		30	29
Short-term debtors	18	22,045	23,744
Assets held for sale	20	500	500
<b>Current assets</b>		<b>46,310</b>	<b>46,401</b>
Short-term borrowing	17.2	(50,202)	(24,665)
Short-term creditors	21	(28,230)	(43,389)
Cash and cash equivalents	19	(850)	(2,653)
<b>Current liabilities</b>		<b>(79,282)</b>	<b>(70,707)</b>
Provisions	22	(2,979)	(2,451)
Long-term borrowing	17.2	(221,051)	(218,670)
Other long-term liabilities	21/33	(2,509)	(43,980)
Capital Grants Receipts in Advance	29	(35)	(35)
<b>Long-term liabilities</b>		<b>(226,574)</b>	<b>(265,136)</b>
<b>Net assets</b>		<b>1,022,111</b>	<b>947,677</b>
<b>Financed by :</b>			
General Fund balance		(6,785)	(6,682)
Housing Revenue Account		(2,764)	(2,653)
Usable Capital Receipts Reserve		(15,019)	(20,265)
Capital Grants Unapplied Account		(5,184)	(5,544)
Earmarked reserves	8	(11,279)	(10,128)
<b>Usable reserves</b>		<b>(41,031)</b>	<b>(45,272)</b>
Revaluation Reserve	23.1	(459,253)	(395,971)
Financial Instruments Revaluation Reserve	23.2	327	(399)
Capital Adjustment Account	23.3	(521,858)	(544,533)
Pensions Reserve	23.4	406	41,877
Deferred Capital Receipts		(4,299)	(4,302)
Collection Fund Adjustment Account	23.5	3,420	749
Accumulated Compensation Absence and Employment Reserve		177	174
<b>Unusable reserves</b>		<b>(981,080)</b>	<b>(902,405)</b>
<b>Total reserves</b>		<b>(1,022,111)</b>	<b>(947,677)</b>



## Cash Flow Statement

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 cash and cash equivalents by classifying cash flows as: operating, investing, and financing activities.

	2022/2023	2021/2022
	£'000	£'000
<b>Net surplus or (deficit) on the provision of services</b>	<b>(1,506)</b>	<b>(2,254)</b>
Depreciation	18,667	19,252
Impairment and downward valuations	2,239	-
Amortisation	94	70
Increase/(decrease) in creditors	(8,919)	13,772
(Increase)/decrease in debtors	(3,192)	(7,001)
(Increase)/decrease in inventories	(1)	2
Movement in pension liability	3,730	3,714
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	9,295	14,416
Other non-cash items charged to the net surplus or deficit on the provision of services	3,078	2,071
<b>Adjustment to surplus or deficit on the provision of services for noncash movements*</b>	<b>24,991</b>	<b>46,296</b>
Proceeds from short (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	22,079	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,661)	(14,566)
Any other items for which the cash effects are investing or financing cash flows	(7,308)	(6,589)
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities*</b>	<b>6,110</b>	<b>(21,155)</b>
<b>Net Cash flows from operating activities</b>	<b>29,595</b>	<b>22,887</b>
Purchase of property, plant and equipment, investment property and intangible assets	(47,970)	(47,311)
Purchase of short and long-term investments	(23,648)	(11,719)
Other payments for investing activities	-	(314)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,664	14,546
Other receipts from investing activities	9,134	6,623
<b>Net cash flows from investing activities</b>	<b>(53,820)</b>	<b>(38,175)</b>
Cash receipts of short and long-term borrowing	51,000	29,323
Repayments of short and long-term borrowing	(23,652)	(23,400)
Other receipts/(payments) for financing activities	(1,320)	5,417
<b>Net cash flows from financing activities</b>	<b>26,028</b>	<b>11,340</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>1,803</b>	<b>(3,948)</b>

## Cash Flow Statement

Cash and cash equivalents at the beginning of the reporting period	(2,653)	1,295
Cash and cash equivalents at the end of the reporting period	(850)	(2,653)
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>1,803</b>	<b>(3,948)</b>

The cash flows for operating activities include the following items:

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>£'000</b>	<b>£'000</b>
Interest received	1,048	110
Interest paid	(6,221)	(6,266)

## Notes to the accounts

### 1. Accounting policies

#### 1.1 General principles

The statement of accounts summarises the Council's financial transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The authority is required to prepare an annual statement of accounts by the Accounts and Audit regulations 2015 (as amended), and this requires the preparation to be in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Local Government Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Local Government Act.

The accounting convention adopted in the statement of accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### 1.2 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. In particular:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract,
- 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.

#### 1.3 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 highly liquid investments that

mature in three calendar months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **1.4 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 authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **1.5 Charges to revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current 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 losses can be written off,
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make a prudent annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (Minimum Revenue Provision or the statutory repayment of loans fund advances), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

### **1.6 Council Tax and Non Domestic Rates (England)**

The Council acts as a billing authority, or agent on behalf of major preceptors in relation to Council Tax and Non-Domestic Rates (NDR). In this case the Council is collecting Council Tax and NDR income on behalf of itself and preceptors (Hertfordshire County Council (HCC) and Hertfordshire Police and Crime Commissioner (HPCC) in relation to Council Tax and Government and HCC in relation to Non-Domestic Rates).

The Council is required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the

legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The implication for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

### Business Improvement Districts

A Business Improvement District (BID) scheme applies across Welwyn Garden City town centre. The scheme is funded by a BID levy paid by Non-Domestic Rate payers. The authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

## 1.7 Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages, salaries and paid annual leave and sick leave, bonuses and non-monetary benefits for current employees and are as an expense in the year in which the employee renders the service to the Council. An accrual is made, for the cost of holiday entitlement and other forms of leave earned by employees but not taken before the year end, and which may be carried forward into the next financial year.

Any accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Accumulated Compensation Absences Adjustment Account in the Movement in Reserves Statement.

### 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 in exchange for those benefits. These costs are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when Welwyn Hatfield Borough Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, these are treated in line with statutory provisions outlined under the local government pension scheme section of the accounting policies.

### Post-employment Benefits

Employees of the Authority may be members of the Local Government Pension Scheme, administered by Hertfordshire County Council. The scheme provides defined benefits to members including pensions and for some a retirement lump sum, earned as employees working for the Council.

## The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Hertfordshire pension fund attributable to the Authority 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate as detailed in the notes to the accounts, under basis for estimating assets and liabilities.

The assets of Hertfordshire Pension Fund attributable to the authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price,
- unquoted securities – professional estimate,
- unitised securities – current bid price,
- property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
  - **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 as a result of a scheme amendment or curtailment whose effect relates 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,
  - **net interest on the net defined benefit liability**, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as other comprehensive income and expenditure,
  - **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 – charged to the Pensions Reserve as other comprehensive income and expenditure.

- **contributions paid to the Hertfordshire Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority 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 transfers 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 are earned by employees.

### Discretionary Benefits

The authority 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.

## 1.8 Events after the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

## 1.9 Financial Instruments and Financial assets

### 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 carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge 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. For most of the borrowings that the Council has, this means that the amount presented on the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Where the financial liability is a short duration payable, like creditors, with no stated interest rate an effective interest calculation has not been made.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the Council's business model for holding those financial assets and their cash flow characteristics.

The Council's financial assets are classified into three types and are measured at:

- amortised cost,
- fair value through profit and loss (FVPL),
- fair value through other comprehensive income (FVOCI).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the investment. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year.

### Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.



## Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the surplus or deficit on the provision of services.

### Instruments entered into before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the statement of accounts to the extent that provisions might be required or a contingent liability note is needed.

## 1.10 Government Grants and Contributions

Whether paid on account, or by instalments or in arrears, grants and third party contributions are recognised as due to the Authority when there is reasonable assurance that the authority will comply with the conditions attached to the payments, and the grant or contribution will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement (CIES) until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations regarding the use of the grant which if not met would render the grant returnable to the transferor.

Monies advanced as grants and contributions for which conditions have not been met are carried as creditors in the Balance Sheet. When conditions are satisfied the item is credited to taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) or the appropriate service line in the CIES.

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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 1.11 Heritage Assets

The carrying amounts of heritage assets recognised by the Council is included in the Balance Sheet and are reviewed where there is evidence of impairment of these assets. Any impairment is recognised and measured in accordance with the authority's general policies on impairment.

## 1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority 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 authority.

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 authority 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.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line 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.

### 1.13 Interests in Companies and Other Entities

The Council has an interest in a company, Now Housing Ltd, that has the nature of a subsidiary. Now Housing Ltd commenced trading in 2020/21 and the Council prepared Group Accounts for the first time in the 2020/21 accounts.

In the Council's own single entity accounts, the interest in the company is recorded as a financial asset at cost less any provision for losses.

Now Housing Ltd ceased trading on 31 March 2023 due to increases in construction costs and inflationary pressures, which, with the limitations on the company's ability to raise rents, have adversely impacted on the ability to identify future viable sites for development. The company will be applying for strike off during 2023/24.

Further information is available [online](#).

Group accounts have still been prepared to include Now Housing Ltd as it was trading for the financial year 2022/23.

### 1.14 Inventories and Long Term Contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in – first out (FIFO) costing formula.

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.

## 1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or 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 in an arm's length transaction. Investment Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment 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 property are credited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement, and result in a gain for the General Fund balance.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. Gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account or (for any sale where cash received is greater than £10,000) the Capital Receipts Reserve.

## 1.16 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly,
- its liabilities, including its share of any liabilities incurred jointly,
- its revenue from the sale of its share of the output arising from the joint operation,
- its share of the revenue from the sale of the output by the joint operation,
- its expenses, including its share of any expenses incurred jointly.

## 1.17 Leases

Leases are classified as finance leases where the terms of the lease transfers 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 operational leases.

Where a lease covers both land and buildings the land and building 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 payments are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## The Authority 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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and 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 assets estimated useful life.

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets (see accounting policy 1.5).

### Operating leases

Rentals paid under operational leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease which generally means that rentals are charged when they become payable.

## The Authority as Lessor

### Finance leases

Where the authority 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 authority'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 (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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 Authority 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. if there is a premium paid at the commencement of the lease).

### 1.18 Overheads and support services

Where applicable, the cost of overheads and support services are charged to those that benefit from the supply or services.

### 1.19 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 in the accounts. Expenditure in excess of £10,000 on non-current assets is capitalised – except in the case of capital grants given to voluntary bodies and community chest payments when the limit is set at £5,000, provided that the non-current asset yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets that is charged direct to service revenue accounts.

Where an element of staff time has been capitalised and the actual figures were not available an estimate has been calculated based on the charges to date.

#### Measurement

## Notes to the Core Financial Statements

---

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The authority does not capitalise borrowing costs incurred while assets are under construction.

Assets are carried in the balance sheet using the following measurement bases:

- council dwellings: current value determined using the basis of existing use value for social housing basis i.e. 38% of market value,
- property: surplus assets are included in the balance sheet at fair value, determined using the amount that would be paid for the asset in its 'best use',
- property: other land and buildings are included in the balance sheet at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV),
- property: where no market exists or the property is specialised, current value is measured at depreciated replacement cost,
- vehicles, plant and equipment: depreciated historic cost,
- infrastructure assets: depreciated historic cost,
- community assets: depreciated historic cost,
- assets under construction: depreciated historic cost.

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 current value at the year-end, but as a minimum every five years. The last full valuation was carried out in March 2014 for General Fund assets, after which we have started valuing all General Fund assets on a rolling programme where all high value (more than £1.0m) assets and approximately 20% of the remaining assets are revalued each year. A full valuation for housing is completed every five years and was last completed in 2020/21. A desktop valuation is completed each year.

Increases in valuations are matched by credits in 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 revaluation loss or an impairment loss previously charged to a service revenue account. Where decreases in value are identified, they are accounted for by:

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

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

### Impairment

Assets are assessed at each year end as to whether there is any indication that they 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.

Where impairment losses are identified, they are accounted for as for decreases in value explained above.

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 all property, plant and equipment assets (other than land, certain community assets and assets under construction) where a finite useful life has been determined. This is with the intention of writing off their balance sheet values in equal annual instalments over their remaining expected useful lives. This is commonly referred to as the 'straight line' method. Depreciation is charged from the end of the year following the year of acquisition. Useful lives for asset types are shown in Note 14.

Where an item of property, plant and equipment has major components, the cost of which is significant in relation to the total cost of the item, the components are depreciated separately. Where a component is replaced or restored the carrying amount of the old component is derecognised to avoid double counting; the new component is reflected in the carrying amount. Componentisation does not apply to investment properties.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charge on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

### Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet 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. Any receipts from disposals are credited to the same line in the comprehensive income and expenditure statement. 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. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the capital receipts reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve through the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current 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.

### 1.20 Rent to mortgage properties

The Council's equity interest in rent to mortgage property is assessed as current vacant possession value, based on a beacon principle, less the remaining discount awarded but not taken. The asset is considered to be a long term debtor and this is matched by a deferred capital receipt.

### 1.21 Provisions and Contingent Liabilities

#### Provisions

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

The Council maintains a provision for the funding of the self-financed element of insurance claims. This provision is funded through contributions from the relevant service revenue accounts.

Provisions for bad or doubtful debts are separately disclosed against debtors on the Balance Sheet and are not included in the provisions figure. They have been made within the accounts for expected losses of income in respect of sums due but not received from debtors. Known uncollectible debts have been written off.

Provisions are charged to the appropriate revenue account and when payments for expenditure are incurred to which the provision relates they are charged direct to the provision. Provisions are reviewed at each balance sheet date and if no longer required the provision is reversed.

#### Contingent liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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.



## 1.22 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to count against the Net Cost of Services in the Comprehensive Income and Expenditure Statement (CIES). The reserve is then transferred back to the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, retirement benefits and employee benefits. They do not represent usable resources for the Council.

Capital reserves are not available for revenue purposes and certain ones can only be used for specific statutory purposes.

The Capital Adjustment Account represents the amounts set aside from revenue or capital receipts to finance expenditure on non-current assets, provision for the repayment of external loans and the reversal of amounts included in the CIES which are not required by statute to be included in the General Fund or Housing Revenue Account balance.

The Revaluation Reserve contains valuation gains recognised since 1 April 2007.

The Major Repairs Reserve is required by statutory provision in relation to the Housing Revenue Account.

The Council also has other specific earmarked reserves set out in more detail in the Notes to the Accounts. These are set aside for purposes falling outside the definition of provisions. They are earmarked specifically to meet future items of revenue or capital expenditure.

## 1.23 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue Expenditure Funded from Capital Under Statute (REFCUS) is expenditure which may be capitalised, but which does not result in the creation of a non-current asset controlled by the authority. REFCUS incurred during the year is written off as expenditure to the relevant service revenue account in the year. Examples include grants to third parties for capital purposes and expenditure on private sector housing renewal. A transfer to the Capital Adjustment Account reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

## 1.24 VAT

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

## 1.25 Fair value measurement of non-financial assets

Investment properties, surplus assets, some assets held for sale (and some financial instruments) are held at fair value at the 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 transaction is assumed to take 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.

This method should take the asset in its highest or best use.

There is a three level hierarchy for inputs into a fair value calculation:

- Level 1 – quoted prices in active markets for identical assets or liabilities e.g., bond prices,
- Level 2 – inputs other than quoted prices that are observable for the asset or liability e.g., interest rates or yields for similar assets,
- Level 3 – unobservable inputs for the asset or liability e.g., cash flow forecasts.

## 2. Accounting standards that have been issued but have not yet been adopted

Accounting standards issued, but not yet adopted are disclosed below.

- IFRS 16 Leases: This 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). CIPFA/LASAAC have announced an optional two-year delay to the introduction of this standard, therefore Local Authorities can choose to implement IFRS16 on either 1<sup>st</sup> April 2022, 1<sup>st</sup> April 2023 or 1<sup>st</sup> April 2024. The implementation of IFRS 16 will be in the 2024/25 Code but both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority wish to do so from 1 April 2022 or 2023. Welwyn Hatfield will implement the changes from the 1<sup>st</sup> April 2024.

## 3. Critical judgments in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has made certain judgements about complex transactions or those involving uncertain events.

There is a high degree of uncertainty about future funding for Local Government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Other key items of uncertainty are highlighted in Note 4 and the Narrative Report.

## 4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance

## Notes to the Core Financial Statements

sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase by £1.08m for every year that useful lives had to be reduced.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>Pension fund defined liabilities are provided by the Hertfordshire County Council actuary, and are based on significant estimates that are likely to prove to be materially different, but represent the best estimate as at 31 March 2023.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example:</p> <ul style="list-style-type: none"> <li>• a 0.1% decrease in the Real Discount Rate would result in an increase in the pension liability of 2% (£2.70m),</li> <li>• a 0.1% increase in the Rate of Salary Increase would result in an increase in pension liability of 0%, (£0.17m),</li> <li>• a 0.1% increase in the Pension Increase rate would result in an increased pension liability of 1%, (£2.57m).</li> </ul>
Arrears	<p>At 31 March 2023, the Authority had an outstanding balance of short term debtors of £21.9m. A review of significant debt types has led to an updated impairment allowance of debts of £5.36m. However, in the current economic climate, it is not certain that such an allowance would be sufficient.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The allowance held is based on policies adapted to the nature of the debt and service area.</p> <p>If collection rates on dwelling rents were to deteriorate by 1%,</p>

## Notes to the Core Financial Statements

		the impairment allowance for doubtful debts would require an additional £0.5m to be set aside.
NDR Appeals Provision	Under the business rates retention scheme Local Authorities are liable for their proportionate share of successful appeals against business rates charged in the period to 31 March 2023. A provision based on best available information including Valuation Office (VAO) ratings list of appeals, and an analysis of successful appeals to date has been recognised for this liability of £2.17m.	The income losses which are recognised in the Council's comprehensive income and expenditure statement, associated with these liabilities, are limited to 7.5% of its baseline funding. This equates to around £0.2m against the baseline funding assessment.

## 5. Material items of income and expense

The Code of Practice requires the disclosure of the nature and amount of any material items of income and expenditure which are not separately disclosed on the face of the Comprehensive Income and Expenditure Statement.

The following material items of income and expenditure are included in the Cost of Services in the Comprehensive Income and Expenditure Statement:

Category	Description	Comment
Construction Services	Contract payments	The Authority paid a total of £18.3m to R G Carter Cambridge Ltd, £5.2m to Lovell Partnerships Limited, £2.1m to Boom Construction Ltd and £1.9m to Kier Services Limited for Construction Services.
Housing Services	Contract payments	The Authority paid a total of £9.1m to Mears Limited, £3.9m to Morgan Sindall Property Services Limited, £2.2m to Aaron Services Ltd and £1.7m to Gracelands Complete Maintenance Services Ltd for housing maintenance.
Service Delivery Contracts	Contract payments	The Authority paid a total of £5.7m to Sopra Steria to provide Council Tax, Housing Benefit, Customer Services and ICT services.
Environmental Services	Contract payments	The Authority paid a total of £5.8m to Urbaser and £1.7m to Continental Landscapes Ltd for grounds maintenance, street cleansing, recycling and refuse collection.

## 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Executive Director (Finance and Transformation) on 4 September 2023. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Key items of estimation uncertainty are highlighted in Note 4 and the Narrative Report.

## 7. Adjustment between accounting basis and funding basis under regulations

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

2022/23

	Usable Reserves				
	General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources:</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(2,708)	(1,022)	-	-	-
Financial Instruments (transfers to or from the Capital Adjustment Account)	(692)	-	-	-	-
Council tax and NDR (transfers to or from Collection Fund)	(2,671)	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(10)	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(5,792)	(9,555)	-	(14,825)	-
<b>Total Adjustments to Revenue Resources</b>	<b>(11,872)</b>	<b>(10,577)</b>	<b>-</b>	<b>(14,825)</b>	<b>-</b>

## Notes to the Core Financial Statements

<b>Adjustments between Revenue and Capital Resources:</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	326	8,338	(8,664)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(121)	-	121	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	817	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	47	5,430	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,069</b>	<b>13,768</b>	<b>(8,543)</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources:</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	13,789	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	14,825	-
Application of capital grants to finance capital expenditure	6,949	-	-	-	358
<b>Total Adjustments to Capital Resources</b>	<b>6,949</b>	<b>-</b>	<b>13,789</b>	<b>14,825</b>	<b>358</b>
<b>Total Adjustments</b>	<b>(3,854)</b>	<b>3,191</b>	<b>5,246</b>	<b>-</b>	<b>358</b>

2021/22

	Usable Reserves				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
<b>Adjustments to the Revenue Resources:</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from					
Pensions costs (transferred to (or from) the Pensions Reserve)	(2,663)	(1,051)	-	-	-
Financial Instruments (transfers to or from the Capital Adjustment Account)	973	-	-	-	-
Council tax and NDR (transfers to or from Collection Fund)	8,518	-	-	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	193	83	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	(9,975)	(14,948)	-	(14,950)	-
<b>Total Adjustments to Revenue Resources</b>	<b>(2,954)</b>	<b>(15,916)</b>	<b>-</b>	<b>(14,950)</b>	<b>-</b>



## Notes to the Core Financial Statements

<b>Adjustments between Revenue and Capital Resources:</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts	266	14,299	(14,566)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,426)	-	1,426	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	817	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	174	5,603	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(169)</b>	<b>19,902</b>	<b>(13,141)</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources:</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	13,821	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	14,950	-
Application of capital grants to finance capital expenditure	6,557	-	-	-	(17)
<b>Total Adjustments to Capital Resources</b>	<b>6,557</b>	<b>-</b>	<b>13,821</b>	<b>14,950</b>	<b>(17)</b>
<b>Total Adjustments</b>	<b>3,434</b>	<b>3,985</b>	<b>680</b>	<b>-</b>	<b>(17)</b>

## 8. Transfers to / from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23.

	Balance at 31 March 2023 £'000	Net movement in year £'000	Balance at 31 March 2022 £'000	Net movement in year £'000	Balance at 31 March 2021 £'000	
Strategic Initiatives Reserve	(1,432)	56	(1,488)	76	(1,564)	For use for one-off specific projects and fixed term growth directly delivering corporate objectives.
Business Rates Retention Reserve	(4,757)	(1,926)	(2,831)	6,953	(9,784)	To manage volatility of the Business Rates Retention Scheme and Collection Fund Deficits.
Pensions Reserve	(1,201)	-	(1,201)	-	(1,201)	This reserve is necessary to help mitigate the impact of additional costs arising in the triennial review cycle.
Transformation Reserve	(750)	418	(1,168)	212	(1,380)	For use on transformation projects to deliver longer term efficiencies.
Commitment Reserves	(217)	(48)	(169)	(157)	(12)	These reserves manage expenditure and projects the Council is committed to but for which actual expenditure has not yet been incurred.
Grants and Contributions Reserves	(2,087)	305	(2,392)	1,891	(4,372)	These reserves set aside grants received for specific purposes which will fund future expenditure.
Local Plan Reserve	(300)	-	(300)	-	-	Funds set aside to aid the Local Plan
Civic Buildings Reserve	(241)	81	(322)	-	-	The reserve is for Decarbonisation Projects and High Level repairs to the Civic Buildings
Other Reserves	(295)	(38)	(257)	657	(1,447)	Other miscellaneous reserves.
<b>Total</b>	<b>(11,279)</b>	<b>(1,151)</b>	<b>(10,128)</b>	<b>9,632</b>	<b>(19,760)</b>	

## 9. Other operating expenditure

	2022/2023	2021/2022
	£'000	£'000
Parish Council Precepts	1,894	1,787
Payments to the Government's Housing Capital Receipts Pool	121	1,426
(Gains) / losses on disposal of non-current assets	724	(349)
<b>Total</b>	<b>2,739</b>	<b>2,864</b>

## 10. (Income) and expenditure in relation to investment

	2022/2023	2021/2022
	£'000	£'000
Interest payable and similar charges	6,791	6,302
Net interest on the net defined benefit liability	1,164	1,106
Interest receivable and similar income	(1,062)	(294)
Changes in Fair Value of Financial Instruments	689	(973)
Income and expenditure in relation to investment properties and changes in their fair value	1,121	(1,085)
Impairment loss allowances	(30)	(132)
<b>Total</b>	<b>8,673</b>	<b>4,924</b>

## 11. Taxation and non-specific grant income and expenditure

	2022/2023	2021/2022
	£'000	£'000
Council tax income	(11,383)	(10,956)
Non domestic rates income and expenditure	1,590	(978)
Lower Tier Grants	(105)	(124)
SFC Income Loss Grant	-	(301)
Business Rates related Grants	(5,549)	(4,466)
New Homes Bonus Grant	(712)	(610)
New Burdens Grant	(377)	89
Local Services Support Grant (Homelessness)	(228)	-
Capital grants, contributions and other items	(7,192)	(7,215)
<b>Total</b>	<b>(23,956)</b>	<b>(24,561)</b>

## 12. Expenditure and income analysed by nature

	2022/2023	2021/2022
	£'000	£'000
<b>Expenditure</b>		
Employee Benefit Expenses	22,877	21,227
Premises Expenditure	6,713	6,004
Travel Expenditure	141	140
Supplies and Services	10,253	8,535
Third Party Payments	32,012	33,006
Transfer Payments	28,607	26,243
Depreciation, Amortisation and Impairment	21,411	26,517
Other Expenditure below Net Cost of Service	23,507	40,431
<b>Total Expenditure</b>	<b>145,521</b>	<b>162,103</b>
<b>Income</b>		
Fees, Charges and other Service Income	(107,966)	(102,645)
Other Income below Net Cost of Service	(36,050)	(57,204)
<b>Total Income</b>	<b>(144,016)</b>	<b>(159,849)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>1,506</b>	<b>2,254</b>

## 13. Revenue from contracts with service recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

	2022/2023	2021/2022
	£'000	£'000
Revenue from contracts with service recipients	1,843	3,438
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>1,843</b>	<b>3,438</b>

Amounts included in the Balance Sheet for contracts with service recipients:

	At 31 March	At 31 March
	2023	2022
	£'000	£'000
Receivables, which are included in debtors	479	1,428
<b>Total included in Net Assets</b>	<b>479</b>	<b>1,428</b>

## Notes to the Core Financial Statements

---

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

	<b>At 31 March 2023 £'000</b>	<b>At 31 March 2022 £'000</b>
Not later than one year	479	1,428
Later than one year	-	-
<b>Amounts of transaction price, partially or fully unsatisfied</b>	<b>479</b>	<b>1,428</b>

**14. Property, plant and equipment**

Movements on Balances in 2022/23

## Notes to the Core Financial Statements

	Dwellings £'000	Other land and buildings £'000	Vehicles, plant and equipment £'000	Infrastructure £'000	Community assets £'000	Assets under construction £'000	Total property, plant and equipment £'000
<b>Cost or valuation</b>							
At 31 March 2022	1,054,513	125,928	19,999	7,185	2,040	32,964	1,242,629
Additions	14,930	10,142	1,662	9	4	22,007	48,753
Disposals	(12,360)	-	-	(96)	-	-	(12,456)
Reclassifications	367	151	-	-	-	(518)	(0)
Write out of depreciation on revaluation	(14,252)	(2,036)	-	-	-	-	(16,289)
Revaluation gains / (losses)	28,986	2,034	-	-	-	-	31,020
<b>At 31 March 2023</b>	<b>1,072,184</b>	<b>136,219</b>	<b>21,661</b>	<b>7,098</b>	<b>2,043</b>	<b>54,453</b>	<b>1,293,659</b>
<b>Depreciation and impairments</b>							
At 31 March 2022	-	(2,268)	(14,089)	(5,133)	(1,776)	(12)	(23,278)
Charge for the year	(14,700)	(2,540)	(1,177)	(176)	(7)	-	(18,600)
Disposals	447	-	-	84	-	-	531
Reclassifications	-	5	-	-	-	(5)	-
Write out of depreciation on Revaluation	14,252	2,036	-	-	-	-	16,289
<b>At 31 March 2023</b>	<b>0</b>	<b>(2,767)</b>	<b>(15,266)</b>	<b>(5,225)</b>	<b>(1,784)</b>	<b>(17)</b>	<b>(25,059)</b>
<b>Balance Sheet amount as at 31 March 2021</b>							
At 31 March 2022	<b>1,072,184</b>	<b>133,452</b>	<b>6,395</b>	<b>1,873</b>	<b>260</b>	<b>54,436</b>	<b>1,268,600</b>
<b>Nature of asset holding</b>							
Owned	1,072,184	133,407	6,395	1,873	260	54,436	1,268,555
Finance lease	-	45	-	-	-	-	45
<b>At 31 March 2023</b>	<b>1,072,184</b>	<b>133,452</b>	<b>6,395</b>	<b>1,873</b>	<b>260</b>	<b>54,436</b>	<b>1,268,600</b>

## Notes to the Core Financial Statements

### Movements on Balances in 2021/22

	Dwellings £'000	Other land and buildings £'000	Vehicles, plant and equipment £'000	Infrastructure £'000	Community assets £'000	Assets under construction £'000	Total property, plant and equipment £'000
<b>Cost or valuation</b>							
At 31 March 2021	1,026,380	119,889	17,917	7,110	2,040	15,805	<b>1,189,140</b>
Additions	18,198	7,544	2,110	75	-	17,000	<b>44,927</b>
Disposals	(14,783)	-	(59)	-	-	(4)	<b>(14,846)</b>
Reclassifications	-	(195)	31	-	-	164	<b>-</b>
Write out of depreciation on revaluation	(14,423)	(2,446)	-	-	-	-	<b>(16,869)</b>
Revaluation gains / (losses)	39,140	1,136	-	-	-	-	<b>40,276</b>
<b>At 31 March 2022</b>	<b>1,054,513</b>	<b>125,928</b>	<b>19,999</b>	<b>7,185</b>	<b>2,040</b>	<b>32,964</b>	<b>1,242,629</b>
<b>Depreciation and impairments</b>							
At 31 March 2021	-	(1,400)	(13,200)	(4,968)	(1,770)	(12)	<b>(21,350)</b>
Charge for the year	(14,817)	(3,314)	(942)	(165)	(7)	-	<b>(19,245)</b>
Disposals	394	-	54	-	-	-	<b>448</b>
Reclassifications	-	-	-	-	-	-	<b>-</b>
Write out of depreciation on Revaluation	14,423	2,446	-	-	-	-	<b>16,869</b>
<b>At 31 March 2022</b>	<b>(0)</b>	<b>(2,268)</b>	<b>(14,089)</b>	<b>(5,133)</b>	<b>(1,776)</b>	<b>(12)</b>	<b>(23,278)</b>
<b>Balance Sheet amount as at 31 March 2022</b>	<b>1,054,513</b>	<b>123,660</b>	<b>5,910</b>	<b>2,052</b>	<b>263</b>	<b>32,952</b>	<b>1,218,952</b>
At 31 March 2021	1,026,380	118,489	4,716	2,142	270	15,792	<b>1,167,791</b>
<b>Nature of asset holding</b>							
Owned	1,054,513	121,014	5,910	2,052	263	32,952	<b>1,216,705</b>
Finance lease	-	2,646	-	-	-	-	<b>2,646</b>
<b>At 31 March 2022</b>	<b>1,054,513</b>	<b>123,660</b>	<b>5,910</b>	<b>2,052</b>	<b>263</b>	<b>32,553</b>	<b>1,219,351</b>



## Depreciation

The following useful lives have been used in the calculation of depreciation:

Type of asset	Life (years)
Council dwellings	20-60
Other land and buildings	20-50
Car parks	25-30
Vehicles, plant and equipment	5-10
Footway lighting	20

## Capital Commitments

As at 31 March 2023, the Council is committed to a number of contracts to deliver major construction or enhancement of property, plant and equipment in future years. The major capital commitments are:

- Aaron Services Ltd & British Gas Social Housing Ltd T/A PH Jones (£2.627m) – for gas servicing and installation in the Council’s dwelling stock in Welwyn Garden City (Aaron Services Ltd), and Hatfield and surrounding areas (PH Jones). These contracts expire in March 2024.
- Boom Construction Limited (£2.625m) – for the design and construction of the development at Swallowfields, under the Affordable Housing Programme.
- EB Charging Limited (£1.159m) – for the installation, operation, and maintenance of the customer network of 105 vehicle charging points across 23 sites.
- Gracelands Complete Maintenance Services Ltd (£1.200m) – for interior and exterior adaptations to Private and Public sector housing.
- Morgan Sindall (£11.000m) – for housing repairs needed across the borough. This contract expires in October 2032.
- RG Carter (£1.120m) – for the redevelopment of the Council’s Streetscene depot (Tewin Road Depot).
- RG Carter (£7.969m) – for the design and construction of a new crematorium at the Council’s existing lawn cemetery. This is due to be completed by September 2023.

## Revaluation

The Authority conducts a full valuation every five years of HRA assets. A full valuation for HRA assets were carried out with an effective date of 31 March 2021.

In between these five yearly valuations an annual desktop review is undertaken.

All general fund assets were re-valued on 1 April 2014. A proportion of the assets have been valued each year since and will continue to be so in future years as part of a rolling programme whereby all assets will be valued at least once every 5 years.

## Notes to the Core Financial Statements

---

The Council uses external valuers for asset valuation.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### Valuations of fixed assets carried at current value

The following statement shows the progress of the Council's programme for the valuation of fixed assets.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infra- structure £'000</b>	<b>Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
<b>Valued at depreciated historical cost</b>			21,661	7,098	2,043	54,453	<b>85,255</b>
<b>Valued at current value in:</b>							
2022/23 (31 March 2023)	1,072,184	88,154	-	-	-	-	<b>1,160,338</b>
2021/22 (31 March 2022)	-	2,758	-	-	-	-	<b>2,758</b>
2020/21 (31 March 2021)	-	31,470	-	-	-	-	<b>31,470</b>
2019/20 (31 March 2020)	-	8,982	-	-	-	-	<b>8,982</b>
2018/19 (1 April 2019)	-	4,855	-	-	-	-	<b>4,855</b>
<b>Total</b>	<b>1,072,184</b>	<b>136,219</b>	<b>21,661</b>	<b>7,098</b>	<b>2,043</b>	<b>54,453</b>	<b>1,293,659</b>

## 15. Investment Property

The authority does not hold any investment property under operating leases.

The following items of income and expense have been accounted for in the Financing and Investment line in the Comprehensive Income and Expenditure Statement.

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>£'000</b>	<b>£'000</b>
Rental income from investment property	(421)	(243)
Direct operating expenses and overheads	22	43
<b>Net (gain) / loss</b>	<b>(399)</b>	<b>(200)</b>

There are no restrictions on the Authorities ability to realise the value inherent in its investment property or on the Authority's right to the remittance of the income and proceeds of disposal.

The Authority has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of the year</b>	6,020	5,135
Net gains / (losses) from fair value adjustment	(1,500)	885
<b>Balance at end of the year</b>	<b>4,520</b>	<b>6,020</b>

### 15.1 Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy are as follows:

	<b>Fair Value as at 31 March 2023</b>	<b>Fair Value as at 31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Commercial Units</b> Other significant observable inputs (Level 2)	4,520	6,020

### 15.2 Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels 1, 2, or 3 during the year.

### 15.3 Valuation Techniques used to Determine Level for Investment Properties Significant Observable Inputs – Level 2

The fair value for the investment properties (at market rents) has been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties

are purchased and sold and the levels of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### 15.4 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 their current use.

### 15.5 Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

### 15.6 Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuers work closely with finance officers, who report directly to the Executive Director (Finance and Transformation) on a regular basis regarding all valuation matters.

## 16. Intangible Assets

	2022/2023	2021/2022
	£'000	£'000
<b>Balance at 1 April</b>		
Gross carrying amounts	3,131	3,158
Accumulated amortisation	(2,817)	(2,811)
<b>Net carrying amount at start of year</b>	<b>314</b>	<b>347</b>
Additions:		
- Internal development	0	40
- Purchases	58	0
- Acquired through business combinations	0	0
Other disposals	0	0
Amortisation for the period	(94)	(70)
Other changes	0	65
<b>Net carrying amount at end of year</b>	<b>278</b>	<b>314</b>
<b>Comprising:</b>		
- Gross carrying amounts	3,189	3,131
- Accumulated amortisation	(2,911)	(2,817)
<b>Balance at 31 March</b>	<b>278</b>	<b>314</b>

## 17. Financial instruments

### 17.1 Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprise:

- long-term loans from the Public Works Loan Board,
- short-term loans from other local authorities
- lease payables,
- trade payables for goods and services received.

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
  - cash in hand,
  - bank current, notice and deposit accounts,
  - deposits with the UK government,
  - trade receivables for goods and services provided.
- Fair value through profit and loss (all other financial assets) comprising:
  - money market funds managed by five fund managers,
  - a property fund managed by CCLA fund managers.
  - an equity investment in Now Housing Limited.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

## 17.2 Financial Instruments - Balances

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

### Financial Assets

	Long term		Current	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
<b>Amortised Cost:</b>				
Principal at amortised cost	-	-	10,000	3,000
Accrued interest	-	-	3	1
Loss Allowance	-	-	-	-
<b>Fair value through Profit and Loss:</b>				
Fair value	3,681	4,722	13,648	19,079
Accrued interest	-	-	84	48
<b>Total investments</b>	<b>3,681</b>	<b>4,722</b>	<b>23,735</b>	<b>22,128</b>
<b>Amortised Cost:</b>				
Cash (including bank accounts)			(850)	(2,653)
Cash equivalents at amortised cost			-	-
Accrued interest			-	-
<b>Total cash and cash equivalents</b>			<b>(850)</b>	<b>(2,653)</b>
<b>Amortised Cost:</b>				
Loans made to subsidiaries	-	2,127	-	113
Accrued interest	-	-	-	24
Loss Allowance	-	(36)	-	(2)
Lease receivables	101	101	-	-
Trade receivables	4,388	4,426	1,135	757
<b>Total debtors *</b>	<b>4,489</b>	<b>6,618</b>	<b>1,135</b>	<b>892</b>

\* - The debtors lines on the Balance Sheet include £20,767k (2022: £22.987k) short term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

## Financial Liabilities

	Long term		Current	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
<b>Loans at amortised cost:</b>				
Accrued interest at amortised cost	-	-	1,583	1,013
Principal sum borrowed - PWLB loan	221,051	218,670	35,619	23,652
Short term Loan	-	-	13,000	-
<b>Total borrowing **</b>	<b>221,051</b>	<b>218,670</b>	<b>50,202</b>	<b>24,665</b>
<b>Liabilities at amortised cost:</b>				
Trade payables	-	-	19,949	15,387
Finance lease liabilities	2,103	2,103	-	-
<b>Total creditors ***</b>	<b>2,103</b>	<b>2,103</b>	<b>19,949</b>	<b>15,387</b>

\*\* - The total short term borrowing includes £1.58m (2022 £1.01m) representing accrued interest and £35.62m (2022: £23.65m) principal repayments that are due within 12 months on long term borrowings.

\*\*\* - The creditors Lines on the Balance Sheet include £8.424k (2022 £28.002k) short term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

## 17.3 Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

### 2022/2023

	Financial liabilities	Financial assets		Total
	Amortised cost £'000	Amortised Cost £'000	FVPL £'000	
Interest expense	6,595	-	-	6,595
<b>Total expense in (surplus) / deficit on provision of services</b>				<b>6,595</b>
Interest income	-	(879)	(187)	(1,066)
<b>Total income in (surplus) / deficit on provision of services</b>	<b>-</b>	<b>(879)</b>	<b>(187)</b>	<b>(1,066)</b>
<b>Net (gain) / loss for the year</b>	<b>6,595</b>	<b>(879)</b>	<b>(187)</b>	<b>5,529</b>



# Notes to the Core Financial Statements

2021/2022

	Financial liabilities		Financial assets	
	Amortised cost	Amortised Cost	FVPL	Total
	£'000	£'000	£'000	£'000
Interest expense	6,107	-	-	6,107
<b>Total expense in (surplus) / deficit on provision of services</b>	<b>6,107</b>	<b>-</b>	<b>-</b>	<b>6,107</b>
Interest income	-	(120)	(174)	(294)
<b>Total income in (surplus) / deficit on provision of services</b>	<b>-</b>	<b>(120)</b>	<b>(174)</b>	<b>(294)</b>
<b>Net (gain) / loss for the year</b>	<b>6,107</b>	<b>(120)</b>	<b>(174)</b>	<b>5,813</b>

## 17.4 Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023 using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans,
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March,
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows,
- No early repayment or impairment is recognised for any financial instrument,
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g., bond prices,
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g., interest rates or yields for similar instruments,
- Level 3 – fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness.

## Notes to the Core Financial Statements

	Fair Value Level	31 March 2023		31 March 2022	
		Balance sheet	Fair value	Balance sheet	Fair value
		£'000	£'000	£'000	£'000
<b>Financial liabilities held at amortised cost</b>					
Loans from PWLB	2	258,068	230,285	243,335	240,787
Short term Loan	2	13,186	13,150	-	-
Lease payables	3	2,103	2,103	2,103	2,103
Trade payables	3	19,949	19,949	15,128	15,128
<b>Total</b>		<b>293,306</b>	<b>265,487</b>	<b>260,566</b>	<b>258,018</b>
<b>Total financial liabilities</b>		<b>293,306</b>		<b>260,566</b>	

### Recorded on balance sheet as:

Short term creditors	19,949	15,128
Short term borrowing	50,202	24,665
Long term creditors	2,103	2,103
Long term borrowing	221,052	218,670
<b>Total financial liabilities</b>	<b>293,306</b>	<b>260,566</b>

	Fair Value Level	31 March 2023		31 March 2022	
		Balance sheet	Fair value	Balance sheet	Fair value
		£'000	£'000	£'000	£'000
<b>Financial assets held at fair value:</b>					
Money market funds	1	13,685	13,685	19,084	19,084
Property fund	2	3,728	3,728	4,451	4,451
Equity investment in housing company	3	-	-	314	314
<b>Financial assets held at amortised cost:</b>					
Short term deposits with UK government	2	10,003	10,003	-	-
Short term deposits with banks	2	-	-	3,001	3,001
Cash and cash equivalents	2	(850)	(850)	(2,653)	(2,653)
Long term loans to housing company	3	-	-	2,091	1,531
Short term loans to housing company	3	-	-	135	135
Lease receivables	3	101	101	101	101
Trade receivables	3	5,523	5,523	5,183	5,183
<b>Total</b>		<b>32,190</b>	<b>32,190</b>	<b>31,707</b>	<b>31,147</b>
<b>Total financial assets</b>				<b>31,707</b>	

### Recorded on balance sheet as:

Long term debtors	4,489	6,618
Long term investments	3,681	4,722
Short term debtors	1,135	892
Short term investments	23,735	22,128
Cash and cash equivalents	(850)	(2,653)
<b>Total financial assets</b>	<b>32,190</b>	<b>31,707</b>

The fair value of short term financial assets held at amortised cost is assumed to be approximate to the carrying amount.

The property fund has been moved from level 2 to level 1 of the hierarchy for 2022/23 due to a significant slow down in the property market meaning there is no current active market.

### 17.5 Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also maintains Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Department for Levelling Up, Housing and Communities Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council,
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time,
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swaps and equity prices when selecting commercial entities for investment.

A limit of £4m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £3m applies. No more than £5m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

## Notes to the Core Financial Statements

	Long Term		Short Term	
	31 March	31 March	31 March	31 March
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
AAA	-	-	13,685	19,084
AA-	-	-	10,003	-
A	-	-	-	3,001
<b>Total</b>	-	-	<b>23,688</b>	<b>22,085</b>
Credit risk not applicable*	3,681	4,722	47	43
<b>Total investments</b>	<b>3,681</b>	<b>4,722</b>	<b>23,735</b>	<b>22,128</b>

\* Credit risk is not applicable to the property pooled fund where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 112% (2022: 67%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2023 the loss allowance related to treasury investments was zero (2022: £0.5k) as the only treasury investments held at that date were with the UK government where a probability of a loss is negligible, and in Money Market Funds which due to them being instant access means the probability of loss is also negligible.

### 17.6 Credit Risk: Trade and Lease Receivables and Contract Assets

The Council manages its risk on trade receivables by following a debt management process which includes multiple reminders, chasing and eventually taking legal action if required.

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

#### Credit Risk - Trade and Lease Receivables

	At 31 March 2023		At 31 March 2022	
	Trade receivables	Lease receivables	Trade receivables	Lease receivables
Neither past due nor impaired	-	-	-	-
Past due < 90 days	639	-	191	-
Past due 91-365 days	97	-	287	-
Past due 12+ months	4,787	101	4,704	101
<b>Total</b>	<b>5,523</b>	<b>101</b>	<b>5,182</b>	<b>101</b>

	Gross receivable	Loss allowance	Gross receivable	Loss allowance
Sundry Debtors	5,624	2,799	5,285	2,568

Loss allowances on trade receivables have been calculated on the total of debts over 90 days which are not being repaid according to an agreed instalment plan or are owed by UK central or Local Government. Although these amounts have been written off to Surplus or Deficit on the Provision of Services, steps are still being taken to collect the sums owing under the debt management procedure.

## 17.7 Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and setting percentage of portfolio limits on maturity periods annually as part of the Treasury Management Strategy.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31 March 2023			31 March 2022		
	Borrowing £'000	Investments £'000	Net £'000	Borrowing £'000	Investments £'000	Net £'000
Not over 1	50,202	(23,735)	26,467	24,665	(22,128)	2,537
Over 1 but not over 2	27,219	-	27,219	25,152	-	25,152
Over 2 but not over 5	90,856	-	90,856	85,457	-	85,457
Over 5 but not over 10	65,795	-	65,795	82,761	-	82,761
Over 10 but not over 20	37,181	-	37,181	24,824	-	24,824
Over 20 but not over 50	-	-	-	476	-	476
Uncertain date*	-	(3,681)	(3,681)	-	(4,722)	(4,722)
<b>Total</b>	<b>271,253</b>	<b>(27,416)</b>	<b>243,837</b>	<b>243,335</b>	<b>(26,850)</b>	<b>216,485</b>

\* - The Council has a holding in the CCLA property fund, which is held for as a strategic investment, therefore the maturity date is uncertain.

## 17.8 Market risk

### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities will fall,
- investments at variable rates – the interest income will rise,
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. All borrowings are at fixed rates, however, changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services.

Movements in the fair value of fixed rate investments measured at fair value will be reflected in

Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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

	31 March 2023	31 March 2022
	£'000	£'000
Increase in interest receivable on variable rate investments	125	171
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>125</b>	<b>171</b>
Decrease in fair value of loans and investments at amortised cost*	60	(8)
Decrease in fair value of fixed rate borrowing*	(9,495)	(11,124)

\* - No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £4m. A 5% fall in commercial property prices at 31 March 2023 would result in a £172k (2022: £209k) charge to Other Comprehensive Income and Expenditure which is then transferred to Financial Instruments Revaluation Reserve.

## 18. Debtors

An analysis of debtors is shown below:

	<b>Balance at 31 March 2023</b>	<b>Balance at 31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Government departments	7,426	8,741
Other local authorities	8,507	9,177
NHS bodies	1	3
Other entities and individuals	-	
- current debtors	10,926	10,347
- long term debtors	4,489	6,618
	<b>31,349</b>	<b>34,887</b>
Provision for doubtful debts	(2,555)	(2,339)
Impairment allowance for bad debts	(2,799)	(2,568)
Payments in advance	539	382
<b>Total</b>	<b>26,534</b>	<b>30,362</b>

## 19. Cash and Cash Equivalents

	<b>Balance at 31 March 2023</b>	<b>Balance at 31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank current accounts and Cash held*	(850)	(2,653)
<b>Total cash and cash equivalents</b>	<b>(850)</b>	<b>(2,653)</b>

\* - Negative current account balances show an overdraft.

## 20. Assets Held for Sale

	<b>Current</b>	
	<b>2022/2023</b>	<b>2021/2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at start of year</b>	<b>500</b>	<b>500</b>
<b>Balance outstanding at year end</b>	<b>500</b>	<b>500</b>



## 21. Creditors

An analysis of creditors is shown below:

	Balance at 31 March 2023 £'000	Balance at 31 March 2022 £'000
Government departments	5,404	23,758
Other local authorities	515	1,215
Other entities and individuals		
- current creditors	22,311	18,416
<b>Total</b>	<b>28,230</b>	<b>43,389</b>

## 22. Provisions

The total value of specific provisions held at 31 March 2023 is:

	General Provision	Claims provision £'000	NNDR Provision for Appeals £'000	Total £'000
<b>Balance at 31 March 2022</b>	-	(627)	(1,823)	<b>(2,451)</b>
Additional provisions made	(106)	(73)	(1,389)	<b>(1,568)</b>
Amounts used	-	0	1,040	<b>1,040</b>
Unused amounts reversed	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>(106)</b>	<b>(700)</b>	<b>(2,172)</b>	<b>(2,979)</b>

### NDR Provision for Appeals

Business Rate Payers are entitled to appeal against the rateable value allocated to it by the Valuation Office Agency. From 1 April 2013 onwards, in the event that the appeal is successful, the Council is responsible for repaying its share of Business Rate income to the ratepayer. This provision has been made based on the expected outcome of the appeals outstanding with the VOA as at 31 March 2023 and other available data such as Government statistics.

### Claims provision

The Council is self-insured up to specific limits for various categories of risk. Any claims beyond these specific limits are insured externally. The level of provision made is adequate to meet the Council's estimated known liabilities under its self-insurance arrangements for all outstanding claims.

Following the demise of Municipal Mutual Insurance Ltd., the MMI Scheme of Arrangement was established in January 1994 to offer financial provision for claim settlements under policies inceptioned with MMI. This Council paid £50,000 into the scheme, under the proviso that should a solvent run-off not be achieved, any payments made on our behalf can be clawed back, less the £50,000.

The directors of MMI “triggered” MMI’s Scheme of Arrangement on 13<sup>th</sup> November 2012. The Scheme provides that following the occurrence of a Trigger Event, a Levy may be imposed on all those Scheme Creditors who have been paid an amount in respect of Established Scheme Liabilities which exceed £50,000 in aggregate. Payments made after the imposition of the Levy to Scheme Creditors will be made at a reduced rate.

After 13<sup>th</sup> November 2012 a review was carried out of the assets and liabilities of MMI, to determine whether a Levy on Scheme Creditors was required. It was subsequently concluded that a Levy of 15% be imposed and a charge of £62,984 was made in February 2014.

The Scheme requires a review of the Levy rate at least once every 12 months and includes provisions for the rate to be adjusted up or down, as the liability trends evolve. Due to the nature of many of the claims the projections are subject to substantial uncertainty. An additional levy of 10% was therefore imposed on 1 April 2016 and £42,118 paid. As the levy has been imposed twice, the decision was taken at the time to provide for the full remaining clawback liability.

As of 31 March 2023, the total amount liable to claw back is £363k. This issue is likely to run for many years before final resolution is achieved.

### 23. Unusable Reserves

#### 23.1 Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost,
- Used in the provision of services and the gains are consumed through depreciation, or
- 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.

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(395,971)</b>	<b>(357,383)</b>
Upward Revaluation of assets	(52,455)	(52,363)
Downward Revaluation of assets and impairment losses not charged to the surplus deficit on the provision of service	4,978	5,953
Difference between fair value depreciation and historic cost	5,293	5,573
Accumulated gains on assets sold or scrapped	2,647	2,250
Amounts written off to the Capital Adjustment Account	(23,745)	-
<b>Balance at 31 March</b>	<b>(459,253)</b>	<b>(395,971)</b>

## 23.2 Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve is made up of the accumulated gains and losses made from the changes in the value of the investments held at Fair Value through Profit & Loss. The balance is reduced when investments with accumulated gains are revalued downwards or impaired, or when the investment is disposed of and the gains are realised.

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(399)</b>	<b>259</b>
Revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	726	(658)
<b>Balance at 31 March</b>	<b>327</b>	<b>(399)</b>

## 23.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 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

	2022/2023	2021/2022
	£000	£000
<b>Balance at 1 April</b>	<b>(544,533)</b>	<b>(534,497)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	18,666	19,251
Revaluation gains / (losses) on Property, Plant and Equipment	2,239	6,134
Amortisation of intangible assets	94	70
Revenue expenditure funded from capital under statute	524	1,057
Revaluation gains / (losses) on Loan to Subsidiaries	(34)	(320)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	9,295	14,416
	<b>30,784</b>	<b>40,609</b>
Adjusting amounts written out of the Revaluation Reserve	32,593	(7,823)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>63,377</b>	<b>32,786</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(13,776)	(13,821)
Use of the Major Repairs Reserve to finance new capital expenditure	(14,825)	(14,950)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,783)	(6,265)
Application of grants to capital financing from the Capital Grants Unapplied Account	(524)	(307)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(817)	(817)
Capital expenditure charged against the General Fund and HRA balances	(5,477)	(5,777)
<b>Total capital financing applied in year</b>	<b>(42,202)</b>	<b>(41,937)</b>
Movements in the market value of Investment Properties and Assets Held For Sale debited or credited to the Comprehensive Income and Expenditure Statement	1,500	(885)
	<b>(40,702)</b>	<b>(42,822)</b>
<b>Balance at 31 March</b>	<b>(521,858)</b>	<b>(544,533)</b>

### 23.4 Pension 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 Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees

## Notes to the Core Financial Statements

accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pay any pensions 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 the resources the Authority 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.

The Pension Reserve reflects the amounts recorded in the IAS19 report regarding the position of the pension fund. Although The Code suggests that the post-employment benefit cost should also be recorded in the pension reserve the Council have accounted for the costs of termination in the Employment reserve to enable the pension fund reserve to continue to be consistent with the IAS19 report on pension liabilities.

	2022/2023	2021/2022
	£'000	£'000
<b>Balance at 1 April</b>	<b>41,877</b>	<b>54,082</b>
Remeasurement of the net defined benefit liability	(45,201)	(15,919)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,125	6,958
Employers' pensions contributions	(3,395)	(3,244)
<b>Balance at 31 March</b>	<b>406</b>	<b>41,877</b>

### 23.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022/2023	2021/2022
	£'000	£'000
<b>Balance at 1 April</b>	<b>749</b>	<b>9,267</b>
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	2,671	(8,518)
<b>Balance at 31 March</b>	<b>3,420</b>	<b>749</b>

## 24. Investments in Subsidiary Companies

Now Housing Limited is a wholly owned subsidiary of the Council. Further details relating to Now Housing Limited can be found within the Group Accounts section below. Cabinet made the decision in 2023 to close Now Housing at the end of 2022/23. As such there is no investment in the company at the reporting date.

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>£'000</b>	<b>£'000</b>
Loans to Subsidiary - in long term debtors	-	2,091
Loans to Subsidiary - in short term debtors	-	111
Equity arising from soft loan - in short term investments	-	314
	<b>-</b>	<b>2,516</b>

## 25. Members Allowances

The Authority paid the following amounts to members of the council during the year.

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>£'000</b>	<b>£'000</b>
Basic allowance	294	246
Special responsibility allowance	128	115
Travelling and subsistence	2	0
<b>Total</b>	<b>423</b>	<b>361</b>

## 26. Officers Remuneration

The Accounts and Audit Regulations contain a legal requirement for the accounts to disclose remuneration of senior employees. In particular, senior employees whose salary is £50,000 or more per year but less than £150,000 are required to be listed individually by way of job title and this is shown in the following table. The Council has no employees with a salary greater than £150,000.

### Senior officers' remuneration – 2022/2023

Post Title	Note	Salary £'000	Compensation for loss of office £'000	Pension contributions £'000	Total remuneration including pension contributions £'000
Chief Executive		140	-	26	166
Executive Director (Finance and Transformation) (Section 151 Officer)	1	81	-	15	96
Executive Director (Place)	2	56	-	10	66
Service Director (Resident and Neighbourhood)	3	52	-	10	62
Assistant Director (Legal and Governance) (Monitoring Officer)	4	69	-	10	79
Assistant Director (Legal and Governance) (Monitoring Officer)	5	16	-	3	19
<b>The following roles were deleted on 31 May 2022:</b>					
Corporate Director, Housing and Communities		-	-	-	-
Corporate Director, Public Protection, Planning and Governance		-	-	-	-
Corporate Director, Resources, Environment and Cultural Services		-	-	-	-
Head of Resources (Section 151 Officer)	6	14	-	2	16
<b>Total</b>		<b>428</b>	<b>-</b>	<b>76</b>	<b>504</b>

**Note 1** – Role filled from 1 June 2022. Their annualised salary was £97k.

**Note 2** – Role filled from 5 September 2022. Their annualised salary was £97k.

## Notes to the Core Financial Statements

**Note 3** – Role filled from 5 September 2022. Their annualised salary was £92k.

**Note 4** - The Assistant Director (Legal and Governance) left this role on 31 January 2023. Their annualised salary was £82k.

**Note 5** - Staff member acting up to cover role from 15 January 2023 to 31 March 2023 after the Assistant Director (Legal and Governance) left. Their annualised salary was £71k.

**Note 6** - The S. 151 Officer responsibilities transferred to the Executive Director (Finance and Transformation) on 1 June 2022. The annualised salary of this role was £82k.

### 2021/2022

<b>Post Title</b>	<b>Note</b>	<b>Salary £'000</b>	<b>Compensation for loss of office £'000</b>	<b>Pension contributions £'000</b>	<b>Total remuneration including pension contributions £'000</b>
Chief Executive		132	-	24	156
Corporate Director, Housing and Communities	1	74	40	12	126
Corporate Director, Public Protection, Planning and Governance	2	66	-	12	78
Corporate Director, Resources, Environment and Cultural Services	3	-	-	-	-
Head of Resources (Section 151 Officer)		80	-	15	95
Head of Law and Administration (Monitoring Officer)		80	-	15	95
<b>Total</b>		<b>432</b>	<b>40</b>	<b>78</b>	<b>550</b>

**Note 1** - The Corporate Director, Housing and Communities left this role on 30/11/2021. The role has been vacant since that date. Their annualised salary was £104k.

**Note 2** - The Corporate Director, Public Protection, Planning and Governance left this role on 05/12/2021. The role has been vacant since that date. Their annualised salary in this role is £104k.

**Note 3** - The Corporate Director, Resources Environment and Cultural Services role was vacant throughout 2021/22.



### Officers' remuneration

The number of employees – including senior officers shown in the note above - whose remuneration, excluding employer's pension contributions, was £50,000 or more is shown below in bands of £5,000. Remuneration includes all amounts paid to recipients including those in respect of redundancy and severance pay in the financial year.

	<b>0</b>	<b>0</b>
	<b>Number of employees</b>	
£50,000 - £54,999	14	10
£55,000 - £59,999	4	5
£60,000 - £64,999	6	6
£65,000 - £69,999	3	1
£70,000 - £74,999	0	1
£75,000 - £79,999	0	3
£80,000 - £84,999	0	2
£90,000 - £94,999	1	0
£95,000 - £99,999	1	0
£105,000 - £109,999	1	0
£110,000 - £114,999	0	1
£130,000 - £134,999	0	1
£140,000 - £144,999	1	0
<b>Total</b>	<b>31</b>	<b>30</b>

## Notes to the Core Financial Statements

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b)+(c)		(e) Total cost of exit packages for each band	
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022
							£'000	£'000
£0 - £20,000	2	6	3	4	5	10	29	76
£20,001 - £40,000	0	1	0	0	0	1	0	20
£40,001 - £60,000	1	0	0	1	1	1	59	40
£80,001 - £100,000	1	0	0	0	1	0	85	0
£100,001 - £150,000	2	0	0	0	2	0	221	0
<b>Total</b>	<b>6</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>9</b>	<b>12</b>	<b>394</b>	<b>136</b>

## Notes to the Core Financial Statements

### Termination Benefits

The table above includes amounts paid to the pension fund under statutory provision amounting to £71k in 2022/23. There were payments of £7k made in 2021/22.

### 27. External audit costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Authority's external auditors:

	2022/2023	2021/2022
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor	110	75
Fees payable for the certification of grant claims and returns	15	17
<b>Total</b>	<b>125</b>	<b>92</b>

### 28. Grant Income

The Authority credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement. Grants credited to taxation and non-specific are detailed in Note 11.

The Authority credited the following grants, contributions and donations to the services in:

	2022/2023	2021/2022
	£'000	£'000
<b>Credited to Services</b>		
Council Tax and Housing Benefit Administration Grant	(317)	(320)
Housing Benefit Subsidy Grant	(25,638)	(26,164)
Other Housing General Fund	(948)	(1,115)
Business Support Grants	(337)	(1,171)
Council Tax Utility Rebate	(5,259)	-
Other Grant Income	(952)	(2,994)
<b>Total</b>	<b>(33,450)</b>	<b>(31,766)</b>

### Capital Grants and Contributions Received in Advance

The Authority has received contributions that have yet to be recognised as income as they have conditions attached to them that may require the return of balances. The balances at the year-end are as follows:

	31 March 2023	31 March 2022
	£'000	£'000
<b>Capital Contributions Received in Advance</b>		
Developers Contributions	(35)	(35)
<b>Total</b>	<b>(35)</b>	<b>(35)</b>

## 29. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosures of these transactions allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g., housing benefits). Grants received from government departments are set out in Note 28 (Grant Income) and Note 11 (Taxation and Non-Specific Grant Income and Expenditure). Capital grants received in advance at 31 March 2023 are shown in Note 28.

Members of the Council have direct control over the Council’s financial and operating policies. The total of members’ allowances paid in 2022/23 is shown in Note 25. During 2022/23 grants totalling £89k have been given to voluntary organisations where councillors have declared an involvement. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members’ Interest, open to public inspection at the Council offices during office hours.

The organisations involved are as follows:

Organisation	2022/2023		2021/2022	
	Amount of Grant	Number of Councillors declaring an involvement	Amount of Grant	Number of Councillors declaring an involvement
	2022/23 £'000		2021/22 £'000	
Breaks Manor	0	0	0	1
Citizens Advice Bureau (CAB)	319	1	253	0
CVS	0	0	15	1
Ludwick Family Club	2	2	n/a	n/a
<b>Total</b>	<b>321</b>	<b>3</b>	<b>268</b>	<b>2</b>

### Hertfordshire Building Control Limited

The council partnered with seven other local authorities across Hertfordshire to create a fully integrated building control service which was launched in August 2016; the council holds 12.5% share of the business (share capital £1) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. Control is shared equally among the eight partners and the company is operating out of Campus West, Welwyn Garden City. In 2022/23 the proportionate share of Hertfordshire Building Control Limited profit was £24k (in 2021/22 this was a profit of £69k). In August 2016 the council made a loan to the company of £107k which is held in Long Term Debtors (other loans) on the balance sheet.

## 30. Capital expenditure and financing

	2022/2023	2021/2022
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>288,657</b>	<b>284,518</b>
<b>Capital Investment</b>		
Property, plant and equipment assets	48,782	44,949
Heritage assets		-
Intangible assets	27	40
Revenue Expenditure Funded from Capital under Statute	524	1,057
<b>Sources of finance</b>		
Capital receipts and Reserves	(28,599)	(28,740)
Government grants and other contributions	(7,324)	(6,572)
Revenue Contribution to Capital	(5,477)	(5,777)
Statutory Provision for the repayment of debt	(817)	(817)
<b>Closing Capital Financing Requirement</b>	<b>295,772</b>	<b>288,657</b>
<b>Explanation of movements in year</b>		
Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	7,115	4,139
<b>Increase / (decrease) in capital financing requirement</b>	<b>7,115</b>	<b>4,139</b>

## 31. Leases

### 31.1 Authority as Lessee

#### Finance leases

The Council has acquired two properties under finance leases: Weltech Business Centre and Chantry Court. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2023	31 March 2022
	£'000	£'000
Other land and buildings	45	46
	<b>45</b>	<b>46</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

## Notes to the Core Financial Statements

	31 March 2023 £'000	31 March 2022 £'000
Finance lease liabilities (net present value of minimum lease payments):		
- Non current	2,103	2,103
Finance costs payable in future years	14,650	14,795
<b>Minimum lease payments</b>	<b>16,753</b>	<b>16,898</b>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
	Not later than one year	145	145	-
Later than one year and not later than five years	579	579	-	-
Later than five years	16,029	16,174	2,103	2,103
<b>Total</b>	<b>16,753</b>	<b>16,898</b>	<b>2,103</b>	<b>2,103</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

### 31.2 Authority as Lessor

#### Finance leases

The Authority has leased out property at the Gosling Sports Centre on a finance lease with a remaining term of 109 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2023 £'000	31 March 2022 £'000
Finance lease debtor (net present value of minimum lease payments):		
- Non current	101	101
Unearned finance income	619	625
<b>Gross investment in the lease</b>	<b>720</b>	<b>726</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

## Notes to the Core Financial Statements

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

	<b>Gross Investment in the Lease</b>	<b>Minimum Lease Payments</b>	<b>Gross Investment in the Lease</b>	<b>Minimum Lease Payments</b>
	<b>31 March 2023</b>	<b>31 March 2023</b>	<b>31 March 2022</b>	<b>31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	-	7	-	7
Later than one year and not later than five years	-	26	-	26
Later than five years	101	686	101	693
<b>Total</b>	<b>101</b>	<b>719</b>	<b>101</b>	<b>726</b>

### Operating leases

The Council is a lessor of a number of properties, including town centre shops, garages and industrial units. These items are held in the balance sheet as other land and buildings within property, plant and equipment. The gross value of these properties is outlined in Note 14. The future lease payments receivable in future years are shown in the table below:

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	2,179	2,252
Later than one year and not later than five years	6,306	6,099
Later than five years	33,012	31,425
<b>Total</b>	<b>41,498</b>	<b>39,776</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 32. Defined Benefit Pension Scheme

### 32.1 Pension scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hertfordshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets,

## Notes to the Core Financial Statements

---

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e., large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.



## 32.2 Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised 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 the Authority is required to make 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 Statement and the General Fund balance via the Movement in Reserves Statement during the year:

### Comprehensive Income and Expenditure Statement

	2022/2023 £'000	2021/2022 £'000
<b>Cost of services</b>		
Current service cost	5,785	5,851
Past service costs / (gain)	176	1
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Cost	1,164	1,106
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>7,125</b>	<b>6,958</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
- Actuarial gains and losses arising on changes in demographic assumptions	(1,673)	(2,732)
;; Return on plan assets (excluding the amount included in the net interest expense)	18,900	(4,286)
- Actuarial gains and losses arising on changes in financial assumptions	(76,919)	(13,186)
- Other	14,491	3,925
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(38,076)</b>	<b>(8,961)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(7,125)	(6,958)
<b>Actual amount charged against the General Fund balance for pensions in the year</b>		
Employers' contributions payable to scheme	3,395	3,244
	<b>3,395</b>	<b>3,244</b>

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

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

	2022/2023	2021/2022
	£'000	£'000
Present value of the defined benefit obligation	178,769	237,202
Fair Value of Plan assets	(178,363)	(195,325)
<b>Net liability arising from defined benefit obligation</b>	<b>406</b>	<b>41,877</b>

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

	2022/2023	2021/2022
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>(195,325)</b>	<b>(182,003)</b>
Interest Income	(5,226)	(3,612)
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	18,900	(4,286)
- Other	-	(8,033)
Contributions from employer	(3,395)	(3,244)
Contributions from employees into the scheme	(815)	(798)
Benefits paid	7,498	6,651
<b>Closing fair value of scheme assets</b>	<b>(178,363)</b>	<b>(195,325)</b>

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

	2022/2023	2021/2022
	£'000	£'000
<b>Opening balance at 1 April</b>	<b>237,202</b>	<b>236,085</b>
Current service cost	5,785	5,851
Interest Cost	6,390	4,718
Contributions from scheme participants	815	798
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	(1,673)	(2,372)
- Actuarial gains / losses arising from changes in financial assumptions	(76,919)	(13,186)
- Other	14,491	11,958
Past service cost	176	1
Benefits paid	(7,498)	(6,651)
<b>Closing balance at 31 March</b>	<b>178,769</b>	<b>237,202</b>

## 32.6 Local Government Pension Scheme assets comprised

	2022/2023 £'000			2021/2022 £'000		
	Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total
Cash and Cash Equivalents	10,101		<b>10,101</b>	11,429		<b>11,429</b>
Equity Securities:						
- Consumer	2,362		<b>2,362</b>	2,785		<b>2,785</b>
- Manufacturing	1,042		<b>1,042</b>	925		<b>925</b>
- Financial Institutions	897		<b>897</b>	1,073		<b>1,073</b>
- Health and Care	1,403		<b>1,403</b>	1,688		<b>1,688</b>
- Information and Technology	3,133		<b>3,133</b>	3,553		<b>3,553</b>
- Other	0		<b>0</b>	0		<b>0</b>
Debt Securities:						
- UK Government	13,116		<b>13,116</b>	14,331		<b>14,331</b>
- Other		5,223	<b>5,223</b>		5,118	<b>5,118</b>
Private Equity		16,902	<b>16,902</b>		14,273	<b>14,273</b>
Real Estate:						
- UK Property		15,073	<b>15,073</b>		15,163	<b>15,163</b>
- Overseas Property		11,933	<b>11,933</b>		10,935	<b>10,935</b>
Investment Funds and Unit Trusts:						
- Equities	60,351		<b>60,351</b>	71,795		<b>71,795</b>
- Bonds	23,438		<b>23,438</b>	28,976		<b>28,976</b>
- Infrastructure		186	<b>186</b>		119	<b>119</b>
- Other	1,667	12,074	<b>13,741</b>	1,649	11,615	<b>13,265</b>
Derivatives:						
- Foreign Exchange		(537)	<b>(537)</b>		(102)	<b>(102)</b>
<b>Closing balance at 31 March</b>	<b>117,509</b>	<b>60,854</b>	<b>178,363</b>	<b>138,203</b>	<b>57,122</b>	<b>195,325</b>

## 32.7 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 liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

### Basis for estimating assets and liabilities

	2022/2023	2021/2022
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.6	21.9
Women	24.2	24.4
Longevity at 65 for future pensioners:		
Men	22.8	22.9
Women	26	26
Rate of increase in pensions	3.0%	3.2%
Rate of increase in salaries	3.5%	3.6%
Rate of discounting scheme liabilities	4.8%	2.7%

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

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

	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	2.0%	2,702
1 year increase in member life expectancy	4.0%	7,151
0.1% increase in Salary Increase Rate	0.0%	172
0.1% increase in the Pension Increase Rate	1.0%	2,571

## 32.8 Impact on the Authority's Cash Flows

The actuaries anticipate Employers Contributions for the period to 31 March 2023 will be approximately £3.395m.

### 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. Other employee benefits are accounted for using the policies as are applied to the local government pension scheme.

## 33. Contingent Liabilities

### Guarantees

#### Mortgages

The Council acts as a guarantor for mortgages on equity share properties. In the event of default by the associations or the mortgagee, the Council will be liable for the debt.

#### Pensions

Only certain organisations can participate in the Local Government Pension Scheme. A Transferee Admission Body is usually formed when a service or function offered by a local authority is contracted out to the private sector. These bodies gain entry into the Pension Fund by entering into an admission agreement with the Administering Authority (HCC) and the Outsourcing Scheme Employer. The Outsourcing Scheme Employer (i.e., Welwyn Hatfield) must guarantee the admitted body's liabilities in respect of the pension scheme.

The guarantee means that if an admitted body fails to pay its pension obligations to the Pension Fund then the guarantor will take on those obligations, however it is a contract requirement that the admitted body provides a Bond in case of default on payment.

The Council has the following agreements with Bonds in place:

- Urbaser Ltd

The Council does not have a Bond in place for Welwyn Hatfield Leisure Limited (novated to Greenwich Leisure Limited on 1 May 2018) and is therefore liable for any non-payment and deficit at the end of the scheme.

## Group Accounts

### Introduction

Now Housing Limited was incorporated under the Companies Act 2006 in the financial year ending 31 March 2020, following the decision by the council to establish a company in January 2019. The company was incorporated pursuant to the general power of competence in the Localism Act 2011. It was registered in England and Wales under registration number 12204450, and whose registered office was situated at The Campus, Welwyn Garden City, Herts, AL8 6AE.

The company was established to:

- Provide good quality, well managed, mixed tenure homes which local people can afford to live in and which complement the council's existing and planned housing provision including specialist housing where required;
- Support the growing demand for a mix of housing tenures for residents in the borough of Welwyn Hatfield by providing intermediate, low-cost home ownership or open market homes and letting sub-market and market rented homes;
- Be a financially robust company, generating a profit to be used for the purpose of providing more affordable housing and delivering financial returns to the shareholder; and,
- Stimulate local housing regeneration and partnership working.

The decision was taken to discontinue Now Housing Limited from 31 March 2023. The Council purchased the 12 units that Now Housing had acquired and will convert these to social housing. This decision was taken due to the difficulties Now Housing was facing in becoming profitable such as increased construction costs, wider inflationary pressures and limitations on its ability to raise rents.

Prior to this, Now Housing was a wholly owned subsidiary of the Council, and the Council financed the activities of the company through the use of loans. The company had one share in issue at the value of £1, with Welwyn Hatfield Borough Council as the shareholder.

Group accounts have been prepared for the financial year 2022/23 as Now Housing was still in operation during the year.

The group accounts show the full extent of the council's wider assets and liabilities. While group accounts are not primary statements, they provide transparency and enable comparison with other organisation that hold other corporate entities.

### Basis of Consolidation

The statement of accounts has been prepared using uniform accounting policies, and there were no material differences to restate.

Within the notes to the group accounts, the council has only provided additional disclosures required by the code of practice, where the difference between the individual authorities and group totals is considered materially different, exceeding £2.5m.

## Notes to the Core Financial Statements

---

In accordance with IAS27 and IFRS10, the income, expenditure, assets and liabilities have been consolidated with the council's accounts on a line-by-line basis, eliminating inter-organisational transactions and year end balances. The group accounts include the following:

- Group Comprehensive Income and Expenditure Statement – this summarises the resources that have been generated and consumed in providing services and managing the group during the year.
- Group Movement in Reserves Statement – this shows the movement in the year on the council's single entity useable and unusable reserves together with subsidiaries reserves.
- Group Cash Flow Statement – This shows the changes in cash and cash equivalents of the group during the year. It shows how the group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.
- Group Balance Sheet – this shows the assets and liabilities recognised by the group at the end of the accounting period, along with the reserves the company holds, which are split into useable and unusable in line with requirements.

## Group Comprehensive Income and Expenditure Statement

2022/23

	Net Expenditure £'000	Now Housing £'000	Adjust £'000	Group Expenditure £'000
Executive Director (Finance and Transformation)	5,311	-	33	5,344
Executive Director (Place)	8,339	-	-	8,339
Service Director (Property Maintenance and Climate Change)	(657)	-	4	(653)
Service Director (Resident and Neighbourhood)	10,012	(68)	4	9,948
Senior Leadership Team	214	-	-	214
Housing Revenue Account	(9,170)	-	-	(9,170)
<b>Cost of Services</b>	<b>14,049</b>	<b>(68)</b>	<b>42</b>	<b>14,022</b>
Other operating expenditure	2,739	(20)	-	2,719
(Income) and expenditure in relation to investment	8,673	93	49	8,814
Taxation and Non-Specific Grant Income and Expenditure	(23,955)	-	-	(23,955)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,506</b>	<b>4</b>	<b>91</b>	<b>1,601</b>
(Surplus) or Deficit on revaluation of property, plant and equipment	(47,477)	-	-	(47,477)
Remeasurement of the net defined benefit liability / (asset)	(45,201)	-	-	(45,201)
<b>Other Comprehensive Income and Expenditure</b>	<b>(92,678)</b>	<b>-</b>	<b>-</b>	<b>(92,678)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(91,172)</b>	<b>4</b>	<b>91</b>	<b>(91,077)</b>



2021/22

	Net Expenditure £'000	Now Housing £'000	Adjust £'000	Group Expenditure £'000
Executive Director (Finance and Transformation)	5,274		33	5,283
Executive Director (Place)	20,262			20,286
Service Director (Property Maintenance and Climate Change)	3,260			3,317
Service Director (Resident and Neighbourhood)	(10,057)	(791)	848	(10,057)
Senior Leadership Team Housing Revenue Account	288			288
<b>Cost of Services</b>	<b>19,027</b>	<b>(791)</b>	<b>880</b>	<b>19,117</b>
Other operating expenditure	2,864			2,864
(Income) and expenditure in relation to investment	4,924	80	320	5,324
Taxation and Non-Specific Grant Income and Expenditure	(24,561)			(24,561)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>2,254</b>	<b>711</b>	<b>1,200</b>	<b>2,744</b>
(Surplus) or Deficit on revaluation of property, plant and equipment	(46,410)	(134)		(46,544)
Remeasurement of the net defined benefit liability / (asset)	16,850			16,850
<b>Other Comprehensive Income and Expenditure</b>	<b>(29,560)</b>	<b>(134)</b>	<b>-</b>	<b>(29,694)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(27,306)</b>	<b>(845)</b>	<b>1,200</b>	<b>(26,950)</b>

## Group Movement in Reserves Statement

2022/23

	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Earmarked Reserves £'000
<b>Balance at 31 March 2022</b>	<b>(6,682)</b>	<b>(2,653)</b>	<b>(20,265)</b>	<b>(5,544)</b>	<b>(10,128)</b>
Changes	-	-	-	-	-
<b>Balance at 01 April 2022</b>	<b>(6,682)</b>	<b>(2,653)</b>	<b>(20,265)</b>	<b>(5,544)</b>	<b>(10,128)</b>
<b>Movement in Reserves during 2022/23</b>					
Total comprehensive income and expenditure	3,257	(1,752)	-	-	-
Adjustments between accounting basis and funding basis under regulations	(4,534)	1,642	5,246	358	-
Transfers to / from reserves	1,152	-	-	-	(1,152)
<b>Increase / (Decrease) in 2022/23</b>	<b>(105)</b>	<b>(110)</b>	<b>5,246</b>	<b>358</b>	<b>(1,152)</b>
<b>Balance at 31 March 2023</b>	<b>(6,787)</b>	<b>(2,763)</b>	<b>(15,019)</b>	<b>(5,186)</b>	<b>(11,280)</b>

	Reserves of Subsidiary £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000
<b>Balance at 31 March 2022</b>	<b>(3)</b>	<b>(45,275)</b>	<b>(902,405)</b>	<b>(947,680)</b>
Changes	-	-	-	-
<b>Balance at 01 April 2022</b>	<b>(3)</b>	<b>(45,275)</b>	<b>(902,405)</b>	<b>(947,680)</b>
<b>Movement in Reserves during 2022/23</b>				
Total comprehensive income and expenditure	4	1,509	(75,891)	(74,382)
Adjustments between accounting basis and funding basis under regulations	-	2,712	12,165	14,877
Transfers to / from reserves		-	(45)	(45)
<b>Increase / (Decrease) in 2022/23</b>	<b>4</b>	<b>4,241</b>	<b>(63,771)</b>	<b>(59,530)</b>
<b>Balance at 31 March 2023</b>	<b>1</b>	<b>(41,034)</b>	<b>(966,176)</b>	<b>(1,007,210)</b>

2021/22

	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Earmarked Reserves £'000
<b>Balance at 31 March 2021</b>	<b>(6,902)</b>	<b>(2,552)</b>	<b>(20,946)</b>	<b>(5,528)</b>	<b>(19,760)</b>
Changes	(0)	1	(0)	(0)	0
<b>Balance at 01 April 2021</b>	<b>(6,902)</b>	<b>(2,551)</b>	<b>(20,946)</b>	<b>(5,528)</b>	<b>(19,760)</b>
<b>Movement in Reserves during 2021/22</b>					
Total comprehensive income and expenditure	6,385	(4,086)	-	-	-
Adjustments between accounting basis and funding basis under regulations	3,467	3,985	680	(17)	-
Transfers to / from reserves	(9,632)		-	-	9,632
<b>Increase / (Decrease) in 2021/22</b>	<b>220</b>	<b>(101)</b>	<b>680</b>	<b>(17)</b>	<b>9,632</b>
<b>Balance at 31 March 2022</b>	<b>(6,682)</b>	<b>(2,652)</b>	<b>(20,265)</b>	<b>(5,544)</b>	<b>(10,128)</b>

	Reserves of Subsidiary £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Group Reserves £'000
<b>Balance at 31 March 2021</b>	841	(54,847)	(831,948)	(886,795)
Changes	-	0	1	1
<b>Balance at 01 April 2021</b>	841	(54,847)	(831,947)	(886,794)
<b>Movement in Reserves during 2021/22</b>				
Total comprehensive income and expenditure	(711)	1,588	(66,152)	(64,564)
Adjustments between accounting basis and funding basis under regulations	(133)	7,983	(8,149)	(167)
Transfers to / from reserves		0	(10)	(10)
<b>Increase / (Decrease) in 2021/22</b>	<b>(844)</b>	<b>9,571</b>	<b>19,766</b>	<b>29,337</b>
<b>Balance at 31 March 2022</b>	<b>(3)</b>	<b>(45,276)</b>	<b>(812,182)</b>	<b>(857,460)</b>

## Group Balance Sheet

2022/23

	WHBC	Now	Adjust	Group
	£'000	Housing £'000	£'000	£'000
Property, plant and equipment	1,268,600	-	-	1,268,600
Heritage Assets	89	-	-	89
Investment properties	4,520	-	-	4,520
Intangible assets	278	-	-	278
Long-term Investments	3,681	-	-	3,681
Long-term Debtors	4,489	-	-	4,489
<b>Long-term assets</b>	<b>1,281,657</b>	-	-	<b>1,281,657</b>
Short-term investments	23,735	-	-	23,735
Inventories	30	-	-	30
Short-term debtors	22,045	-	-	22,045
Cash and cash equivalents	-	-	-	-
Assets held for sale	500	-	-	500
<b>Current assets</b>	<b>46,310</b>	-	-	<b>46,310</b>
Short-term borrowing	(50,202)	-	-	(50,202)
Short-term creditors	(28,230)	-	-	(28,230)
Cash and cash equivalents	(850)	-	-	(850)
<b>Current liabilities</b>	<b>(79,282)</b>	-	-	<b>(79,282)</b>
Provisions	(2,979)	-	-	(2,979)
Long-term borrowing	(221,051)	-	-	(221,051)
Other long-term liabilities	(2,509)	-	-	(2,509)
Capital Grants Receipts in Advance	(35)	-	-	(35)
<b>Long-term liabilities</b>	<b>(226,574)</b>	-	-	<b>(226,574)</b>
<b>Net assets</b>	<b>1,022,111</b>	-	-	<b>1,022,111</b>
<b>Financed by :</b>				-
General Fund balance	(6,785)	-	-	(6,785)
Housing Revenue Account	(2,764)	-	-	(2,764)
Usable Capital Receipts Reserve	(15,019)	-	-	(15,019)
Capital grants unapplied	(5,184)	-	-	(5,184)
Earmarked reserves	(11,279)	-	-	(11,279)
Now Housing Ltd reserves	-	-	-	-
<b>Usable reserves</b>	<b>(41,031)</b>	-	-	<b>(41,031)</b>
Revaluation Reserve	(459,253)	-	-	(459,253)
Financial Instruments Revaluation Reserve	327	-	-	327
Capital Adjustment Account	(521,858)	-	-	(521,858)
Pensions Reserve	406	-	-	406
Deferred Capital Receipts	(4,299)	-	-	(4,299)
Collection Fund Adjustment Account	3,420	-	-	3,420
Accumulated Compensation Absence and Employment Reserve	177	-	-	177
<b>Unusable reserves</b>	<b>(981,080)</b>	-	-	<b>(981,080)</b>
<b>Total reserves</b>	<b>(1,022,111)</b>	-	-	<b>(1,022,111)</b>

2021/22

	WHBC £'000	Now Housing £'000	Adjust £'000	Group £'000
Property, plant and equipment	1,219,350	2,580	(880)	1,221,050
Heritage Assets	95	-	-	95
Investment properties	6,020	-	-	6,020
Intangible assets	314	-	-	314
Long-term Investments	4,722	-	(314)	4,408
Long-term Debtors	6,618	-	(2,091)	4,527
<b>Long-term assets</b>	<b>1,237,119</b>	<b>2,580</b>	<b>(3,285)</b>	<b>1,236,414</b>
Short-term investments	22,128	-	-	22,128
Inventories	29	-	-	29
Short-term debtors	23,744	7	(133)	23,618
Cash and cash equivalents	(2,653)	-	-	(2,653)
Assets held for sale	500	-	-	500
<b>Current assets</b>	<b>43,748</b>	<b>7</b>	<b>(133)</b>	<b>43,622</b>
Short-term borrowing	(24,665)	(113)	111	(24,667)
Short-term creditors	(43,389)	(33)	24	(43,398)
<b>Current liabilities</b>	<b>(68,054)</b>	<b>(146)</b>	<b>135</b>	<b>(68,065)</b>
Provisions	(2,451)	-	-	(2,451)
Long-term borrowing	(218,670)	(2,437)	2,437	(218,670)
Other long-term liabilities	(40,157)	-	-	(40,157)
Capital Grants Receipts in Advance	(35)	-	-	(35)
<b>Long-term liabilities</b>	<b>(261,313)</b>	<b>(2,437)</b>	<b>2,437</b>	<b>(261,313)</b>
<b>Net assets</b>	<b>951,500</b>	<b>4</b>	<b>(846)</b>	<b>950,658</b>
<b>Financed by :</b>				
General Fund balance	(6,682)	-	-	(6,682)
Housing Revenue Account	(2,653)	-	-	(2,653)
Usable Capital Receipts Reserve	(20,265)	-	-	(20,265)
Capital grants unapplied	(5,544)	-	-	(5,544)
Earmarked reserves	(10,128)	-	-	(10,128)
Now Housing Ltd reserves	-	(4)	-	(4)
<b>Usable reserves</b>	<b>(45,272)</b>	<b>(4)</b>	<b>-</b>	<b>(45,276)</b>
Revaluation Reserve	(395,971)	-	-	(395,971)
Financial Instruments Revaluation Reserve	(399)	-	-	(399)
Capital Adjustment Account	(544,532)	-	846	(543,686)
Pensions Reserve	38,054	-	-	38,054
Deferred Capital Receipts	(4,302)	-	-	(4,302)
Collection Fund Adjustment Account	749	-	-	749
Accumulated Compensation Absense and Employment Reserve	174	-	-	174
<b>Unusable reserves</b>	<b>(906,228)</b>	<b>-</b>	<b>846</b>	<b>(905,382)</b>
<b>Total reserves</b>	<b>(951,500)</b>	<b>(4)</b>	<b>846</b>	<b>(950,658)</b>

**Group Cash Flow Statement**



2022/23

	WHBC £'000	Now Housing £'000	Adjust £'000	Group £'000
<b>Net surplus or (deficit) on the provision of services</b>	<b>(1,506)</b>	<b>(4)</b>	<b>(91)</b>	<b>(1,601)</b>
Depreciation	18,667			18,667
Impairment and downward valuations	2,239			2,239
Amortisation	94			94
Increase/(decrease) in creditors	(8,919)	(33)	33	(8,919)
(Increase)/decrease in debtors	(3,192)	7	(7)	(3,192)
(Increase)/decrease in inventories	(1)			(1)
Movement in pension liability	3,730			3,730
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	9,295	(2,580)		6,715
Other non-cash items charged to the net surplus or deficit on the provision of services	3,078		320	3,398
<b>Adjustment to surplus or deficit on the provision of services for noncash movements*</b>	<b>24,991</b>	<b>(2,606)</b>	<b>346</b>	<b>22,731</b>
Proceeds from short (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	22,079			22,079
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,661)			(8,661)
Any other items for which the cash effects are investing or financing cash flows	(7,308)			(7,308)
		2,580		2,580
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities*</b>	<b>6,110</b>	<b>2,580</b>	<b>-</b>	<b>8,690</b>
<b>Net Cash flows from operating activities</b>	<b>29,595</b>	<b>(30)</b>	<b>256</b>	<b>29,821</b>
Purchase of property, plant and equipment, investment property and intangible assets	(47,970)		2,600	(45,370)
Purchase of short-term and long-term investments	(23,648)			(23,648)
Other payments for investing activities	-		20	20
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,664	2,600	(2,600)	8,664
Other receipts from investing activities	9,134			9,134
<b>Net cash flows from investing activities</b>	<b>(53,820)</b>	<b>2,600</b>	<b>20</b>	<b>(51,200)</b>
Cash receipts of short- and long-term borrowing	51,000	20	(20)	51,000
Repayments of short- and long-term borrowing	(23,652)	(2,589)	2,589	(23,652)
Other payments for financing activities	(1,320)			(1,320)
<b>Net cash flows from financing activities</b>	<b>26,028</b>	<b>(2,569)</b>	<b>2,569</b>	<b>26,028</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>1,803</b>	<b>-</b>	<b>511</b>	<b>2,314</b>
Cash and cash equivalents at the beginning of the reporting period	(2,653)	-	-	(2,653)
Cash and cash equivalents at the end of the reporting period	(850)	-	-	(850)

2021/22

	WHBC £'000	Now Housing £'000	Adjust £'000	Group £'000
<b>Net surplus or (deficit) on the provision of services</b>	<b>(2,254)</b>	<b>711</b>	<b>(1,200)</b>	<b>(2,744)</b>
Depreciation	19,252	-	-	19,252
Impairment and downward valuations	(187)	(737)	-	(924)
Amortisation	70	-	-	70
Increase/(decrease) in creditors	13,772	57	(57)	13,772
(Increase)/decrease in debtors	(7,001)	(7)	(36)	(7,044)
(Increase)/decrease in inventories	2	-	-	2
Movement in pension liability	3,714	-	-	3,714
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	14,416	-	-	14,416
Other non-cash items charged to the net surplus or deficit on the provision of services	2,071	-	320	2,391
<b>Adjustment to surplus or deficit on the provision of services for noncash movements*</b>	<b>46,109</b>	<b>(686)</b>	<b>226</b>	<b>45,647</b>
Proceeds from short (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-	-	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,566)	-	-	(14,566)
Any other items for which the cash effects are investing or financing cash flows	(6,589)	-	-	(6,589)
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities*</b>	<b>(21,155)</b>	<b>-</b>	<b>-</b>	<b>(21,155)</b>
<b>Net Cash flows from operating activities</b>	<b>22,700</b>	<b>25</b>	<b>(974)</b>	<b>21,748</b>
Purchase of property, plant and equipment, investment property and intangible assets	(47,311)	(11)	-	(47,322)
Purchase of short-term and long-term investments	(11,719)	-	-	(11,719)
Other payments for investing activities	(314)	-	149	(165)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,546	-	-	14,546
Other receipts from investing activities	6,623	-	-	6,623
<b>Net cash flows from investing activities</b>	<b>(38,175)</b>	<b>(2,446)</b>	<b>2,546</b>	<b>38,037</b>
Cash receipts of short- and long-term borrowing	29,323	149	(149)	29,323
Repayments of short- and long-term borrowing	(23,400)	-	-	(23,400)
Other payments for financing activities	5,417	-	-	5,417
<b>Net cash flows from financing activities</b>	<b>11,340</b>	<b>149</b>	<b>(149)</b>	<b>11,340</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(3,948)</b>	<b>188</b>	<b>(188)</b>	<b>(3,948)</b>
Cash and cash equivalents at the beginning of the reporting period	1,295	-	-	1,295
Cash and cash equivalents at the end of the reporting period	(2,653)	-	-	(2,653)

## Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	<i>Notes</i>	<b>2022/23</b> £'000	<b>2021/22</b> £'000
<b>Expenditure</b>			
Repairs and maintenance		12,184	12,474
Supervision and management		10,118	9,179
Special services		3,701	3,022
Rent, rates, taxes and other charges		1,220	977
Increase/(decrease) in impairment allowance for doubtful debts		354	58
Depreciation and impairments of non-current assets	<i>H5</i>	16,374	15,513
Debt management expenses		49	36
Sums directed by the Secretary of State		49	58
IAS19 adjustments		703	738
<b>Total expenditure</b>		<b>44,753</b>	<b>42,055</b>
<b>Income</b>			
Dwelling rents		(51,718)	(49,732)
Non-dwelling rents		(497)	(371)
Tenants' charges for services and facilities		(1,823)	(1,611)
Leaseholders' charges for services and facilities		(848)	(747)
Contributions towards expenditure		(242)	(581)
<b>Total income</b>		<b>(55,128)</b>	<b>(53,042)</b>
<b>Net cost of HRA services as included in the council's</b>		<b>(10,375)</b>	<b>(10,987)</b>
<b>Comprehensive Income and Expenditure Statement</b>			
HRA share of corporate and democratic core		1,212	790
<b>Net income from HRA services</b>		<b>(9,163)</b>	<b>(10,197)</b>
(Gain) or loss on sale of HRA non-current assets		1,217	(87)
Interest payable and similar charges		6,014	5,880
Net Interest on the Net Defined Benefit Liability		319	313
HRA interest and investment income		(139)	(2)
Non-Specific Grants, Contributions & Other Capital		-	-
<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(1,752)</b>	<b>(4,093)</b>

## Movement on the Housing Revenue Account Statement

The HRA Income and Expenditure Account shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to account for its statutory housing activity on a different accounting basis, the main differences being:

- The gain or loss on the disposal of HRA assets has to be reversed before a final balance is calculated; and
- Any impairment on HRA assets, either due to economic consumption or valuation, has to be reversed from the account before a statutory balance can be finalised,

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Housing Revenue Account Balance.

	2022/2023	2021/2022
	£'000	£'000
<b>Opening balance on HRA as at 01 April</b>	<b>(2,653)</b>	<b>(2,552)</b>
(Surplus) / Deficit on the HRA Income and Expenditure Statement	(1,752)	(4,093)
<b>Adjustments between accounting basis and funding basis under regulations:</b>		
Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with statutory HRA requirements (revaluation loss)	(1,549)	(562)
Gain or loss on sale of HRA non-current assets	(1,217)	87
Non Specific Grants, Contributions & Other Capital	-	-
Transfer to Accumulated Absences reserve	-	(83)
<b>Net increase or decrease before transfers to or from reserves</b>	<b>(4,518)</b>	<b>(4,651)</b>
<b>Transfers to or from earmarked reserves:</b>		
Revenue Contribution to Capital	5,430	5,603
HRA share of contributions to or from Pension Reserve	(1,022)	(1,051)
<b>(Increase) / Decrease in year on HRA</b>	<b>(111)</b>	<b>(99)</b>
<b>Closing balance on HRA as at 31 March</b>	<b>(2,764)</b>	<b>(2,651)</b>

## Notes to the Housing Revenue Account

### H1 Housing stock numbers and values

#### H1.1 Number and type of dwellings in housing stock

	2022/2023 Number	2021/2022 Number
Houses and bungalows	6,247	6,274
Flats and maisonettes	2,676	2,675
Equity share	6	6
	<b>8,929</b>	<b>8,955</b>

#### H1.2 Asset values

	31 March 2023 £'000	31 March 2022 £'000
<b>Operational assets</b>		
Dwellings	1,072,184	1,055,156
Other land and buildings	2,948	2,948
Equipment	292	292
<b>Non-operational assets</b>		
Assets Under Construction	37,920	22,552
<b>Total</b>	<b>1,113,345</b>	<b>1,080,949</b>

### H2 Vacant possession value of housing stock

The vacant possession value and balance sheet value of dwellings within the HRA show the economic cost of providing council housing at less than open market rents.

	2022/2023 £'000	2021/2022 £'000
Vacant possession value of housing stock at 1 April	2,777,970	2,655,040

### H3 Analysis of movement on the major repairs reserve

This reserve was set up on the 1 April 2001 and is financed by the depreciation charge to the HRA account. The reserve may only be used for capital related expenditure on the housing stock. The movement was as follows:

	2022/2023 £'000	2021/2022 £'000
<b>Opening balance as at 1 April</b>	-	-
Transfer to major repairs reserve during financial year	(14,825)	(14,951)
Capital expenditure	14,825	14,951
<b>Closing balance as at 31 March</b>	<b>-</b>	<b>-</b>

# Notes to the Housing Revenue Account

## H4 Summaries of total capital expenditure and receipts

### H4.1 Summary of total capital expenditure

	2022/2023	2021/2022
	£'000	£'000
Total capital expenditure in year	30,559	32,322
<b>Financed by:</b>		
Direct revenue funding	5,430	5,603
Grants and Contributions	-	-
Capital receipts reserve	8,672	11,533
Increase in Capital Financing Requirement	1,633	235
Major repairs reserve	14,825	14,951
<b>Total financing</b>	<b>30,559</b>	<b>32,322</b>

### H4.2 Summary of total capital receipts

	2022/2023	2021/2022
	£'000	£'000
House sales	8,268	14,242
Discounts recovered	19	90
<b>Total receipts</b>	<b>8,287</b>	<b>14,332</b>

## H5 Depreciation and impairment of assets

	2022/2023	2021/2022
	£'000	£'000
<b>Depreciation:</b>		
HRA Dwellings	14,700	14,817
Other land and buildings	66	77
Vehicles, Plant and Equipment	59	58
<b>Revaluation Losses / (Gains):</b>		
HRA Dwellings	1,549	562
<b>Total</b>	<b>16,374</b>	<b>15,513</b>

## H6 Rent arrears

	2022/2023	2021/2022
	£'000	£'000
Outstanding rent arrears at 31 March	2,048	1,670
Provision for uncollectable debts at 31 March	(1,816)	(1,485)



## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2022/23

	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>	<b>Total £'000</b>
<b>Income</b>			
Council Tax Receivable	(86,468)	-	(86,468)
Business Rates Receivable	-	(54,217)	(54,217)
<b>Total income</b>	<b>(86,468)</b>	<b>(54,217)</b>	<b>(140,685)</b>
<b>Expenditure</b>			
Precepts, Demands and Shares			
- Hertfordshire County Council	66,521	5,761	72,282
- Hertfordshire Police Authority (Council Tax only)	9,700	-	9,700
- Welwyn Hatfield Borough Council	11,641	23,042	34,684
- Central Government (Business Rates only)	-	28,803	28,803
Charges to Collection Fund			
- Less costs of collection	-	144	144
- Less write offs of uncollectable amounts	-	-	-
- Less increase / (decrease) allowances for impairment	600	456	1,056
- Less increase / (decrease) provision for appeals	-	872	872
Transitional Payment Protection due	-	223	223
Contribution towards previous year (deficit) / surplus			
- Hertfordshire County Council	(2,197)	192	(2,005)
- Hertfordshire Police Authority (Council Tax only)	(318)	-	(318)
- Welwyn Hatfield Borough Council	(389)	769	380
- Central Government (Business Rates only)	-	961	961
<b>Total Expenditure</b>	<b>85,559</b>	<b>61,224</b>	<b>146,783</b>
<b>Movement on fund balance</b>	<b>(909)</b>	<b>7,007</b>	<b>6,098</b>
<b>Balance at beginning of year</b>	<b>4,026</b>	<b>522</b>	<b>4,548</b>
<b>Balance at end of year (surplus) / deficit</b>	<b>3,117</b>	<b>7,529</b>	<b>10,646</b>
<b>Shares of balance</b>			
- Hertfordshire County Council	2,358	759	3,117
- Hertfordshire Police Authority (Council Tax only)	349	-	349
- Welwyn Hatfield Borough Council	410	3,010	3,420
- Central Government (Business Rates only)	-	3,759	3,759
	<b>3,117</b>	<b>7,529</b>	<b>10,646</b>

2021/22

	Council Tax £'000	Business Rates £'000	Total £'000
<b>Income</b>			
Council Tax Receivable	(82,308)		(82,308)
Business Rates Receivable		(52,390)	(52,390)
<b>Total income</b>	<b>(82,308)</b>	<b>(52,390)</b>	<b>(134,698)</b>
<b>Expenditure</b>			
Precepts, Demands and Shares			
- Hertfordshire County Council	63,917	6,028	69,945
- Hertfordshire Police Authority (Council Tax only)	9,257	-	9,257
- Welwyn Hatfield Borough Council	11,312	24,111	35,423
- Central Government (Business Rates only)	-	30,139	30,139
Charges to Collection Fund			
- Less costs of collection	-	145	145
- Less write offs of uncollectable amounts	-	-	-
- Less increase / (decrease) allowances for impairment	471	(201)	270
- Less increase / (decrease) provision for appeals		(3,565)	(3,565)
Transitional Payment Protection due		-	-
Contribution towards previous year (deficit) / surplus		24	24
- Hertfordshire County Council	(583)	(2,389)	(2,972)
- Hertfordshire Police Authority (Council Tax only)	(84)		(84)
- Welwyn Hatfield Borough Council	(106)	(9,476)	(9,582)
- Central Government (Business Rates only)	-	(11,833)	(11,833)
<b>Total Expenditure</b>	<b>84,184</b>	<b>32,983</b>	<b>117,167</b>
<b>Movement on fund balance</b>	<b>1,876</b>	<b>(19,407)</b>	<b>(17,531)</b>
<b>Balance at beginning of year</b>	<b>2,150</b>	<b>19,928</b>	<b>22,078</b>
<b>Balance at end of year (surplus) / deficit</b>	<b>4,026</b>	<b>521</b>	<b>4,547</b>
<b>Shares of balance</b>			
- Hertfordshire County Council	3,048	59	3,107
- Hertfordshire Police Authority (Council Tax only)	437		437
- Welwyn Hatfield Borough Council	541	208	749
- Central Government (Business Rates only)	-	254	254
	<b>4,026</b>	<b>521</b>	<b>4,547</b>

## Notes to the Collection Fund

### C1 Non-domestic rates

The total non-domestic rateable value at 31 March 2023 was £145.83m.

The national non-domestic rate multiplier for the 2022/23 year was 49.9p for small business and 51.2p for other businesses.

### C2 Calculation of council tax

The tax base calculation is derived by first multiplying the estimated number of domestic properties in each tax band less exemptions by a weighting factor. This result is then reduced by a percentage to allow for losses on collection and reductions through appeals.

Band	Property number less exemptions and discounts	Factor	Band D equivalents
A	842.4	6/9	561.7
B	4,558.8	7/9	3,545.7
C	14,189.0	8/9	12,612.4
D	11,072.3	1/1	11,072.5
E	5,084.3	11/9	6,214.0
F	4,241.3	13/9	6,126.3
G	3,751.3	15/9	6,252.2
H	670.8	2/1	1,341.5
<b>Total</b>	<b>44,409.9</b>		<b>47,726.3</b>
	Less adjustment for Council Tax Support		(3,966.1)
	Total tax base before Collection Rate Adjustment		<b>43,760.2</b>
	Less adjustment for collection rates at 99.4%		99.4%
	<b>Council tax base</b>		<b>43,497.6</b>

## Statement of responsibilities

### The Council's responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (Finance and Transformation),
- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets,
- approve the Statement of Accounts by 30 September (for 2022/23).

### The Chief Financial Officer's responsibilities

The chief financial officer is responsible for the preparation of the authority'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, I have:

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

I have also:

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

### Chief Financial Officer's certification

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2023.

**Richard Baker (CPFA)**  
**Executive Director (Finance and Transformation)**  
**4 September 2023**

## Glossary of Terms

### Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising,
- selecting measurement bases for, and
- presenting,

assets, liabilities, gains, losses and changes to reserves.

### Accruals

The inclusion of income or expenditure in the accounts for the financial year in which the activity occurred rather than when the money was received or paid.

### Accumulated Absences

Holiday entitlements or any other form of leave such as time off in lieu earned by employees, which has not been taken by the end of the financial year and can be carried forward to the next financial year.

### Actuarial Gains and Losses

The changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the assumptions made at the last actuarial valuation (experience gains and losses), or
- the actuarial assumptions have changed.

### Amortisation

The measure of the cost or revalued amount of benefits of the intangible non-current assets that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a non-current asset arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### Asset

An asset is anything owned that can be given a monetary value, such as buildings, investments or cash.

- A current asset is one that will be used or cease to have material value by the end of the next financial year,
- A long term asset provides benefits for a period of more than one year.

## Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset. Expenditure which does not fall within this definition must be charged to a revenue account.

## Capital Receipts

The proceeds from the disposal of land or other assets which can be used to finance new capital expenditure.

## Capital Financing Requirement (CFR)

The amount the council would need to borrow to finance its capital expenditure.

## Cash Equivalent

Current asset investments that are available for disposal by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

## CIPFA

Chartered Institute of Public Finance and Accountancy is the professional body for accountants in the public sector.

## Code of Practice (the Code)

Code of Practice on Local Authority Accounting sets out the arrangements required to be followed in the Statement of Accounts. It constitutes 'proper accounting practice' and is recognised as such by statute.

## Collection Fund

Every billing authority (District/Borough Council) is required to maintain a Collection Fund into which is paid the Council Tax and Non-Domestic Rates collected from the tax/rate payers. For Council Tax, payments are made from the fund to the precepting authorities (County Council and the Police and Crime Commissioner) whilst a share of Non-Domestic Rates income is passed to central government and the County Council.

## Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

### Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### Creditors

Amounts owed by the council for goods and services received but not paid on 31 March.

### Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### Curtailment (Pensions)

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### Debtors

Amounts owed to the council for goods and services provided but where payment has not been received by 31 March.

### Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### Depreciation

The measure of the cost or re-valued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, the passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.

### Earmarked Reserve

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

### Estimation

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period, or
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as whole rather than individual balances.

### Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

### Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### Fair Value

The value of an asset or liability based on the current market price.



## Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another.

## Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

## Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

## Heritage Assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

## International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)

IASs are an earlier form of an international accounting standard. Since 2000 all international standards are IFRSs. The accounts have been prepared in accordance with IFRS, adapted for public sector where appropriate.

## Impairment

A reduction in the value of an asset below its carrying amount on the Balance Sheet.

## Infrastructure Assets

These are assets that comprise public facilities and which provide essential services and enhance the productive capacity of the economy, for example highways and footpaths.

## Intangible Assets

An intangible asset is an *identifiable* non-monetary asset without physical substance (typically software).

## Inventory

The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- goods or other assets purchased for resale,
- consumable stores,
- raw materials and components purchased for incorporation into products for sale,
- products and services in intermediate stages of completion,
- long-term contract balances, and
- finished goods.

## Investment Properties

Interest in land and/or buildings:

- in respect of which construction work and development have been completed; and
- which is held for its investment potential, with any rental income being negotiated at arm's length.

## Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long-term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the Pensions Fund, that do not meet the above criteria should be classified as current assets.

## Minimum Revenue Provision (MRP)

The minimum amount that the council must charge to the income and expenditure statement to provide for repayment of debt.

## Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

## Net Interest on the Net Defined Benefit Liability (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## Net Realisable Value

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

## Non-Current Assets

Assets held by the council which yield a return for more than one year.

## Operating Leases

A lease other than a finance lease.

## Past Service Cost (Pensions)

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

## Precepts

Sums levied by District/Borough, County and Parish Councils and police authorities on the Collection Funds of billing authorities (Districts and Boroughs) and forming part of the overall demand for Council Tax.

## Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## Public Works Loan Board (PWLB)

A government agency established to provide long term loans to local authorities to finance part of their capital expenditure.

## Rateable Value

A value on all non-domestic properties subject to Non-Domestic Rates (NDR). The value is based on a notional rent that the property could be expected to yield and revaluations take place every five years.

## Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control over the reporting entity,
- has significant influence over the reporting entity, or

- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- Both entities are joint ventures of the same third party,
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- The entity is controlled or jointly controlled by the person identified,
- The person identified has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### Related Party Transactions

A related party transaction is the transfer of resources or obligations between a reporting entity and a related party, regardless of whether a price is charged.

It should be noted that the definition of related party should be read both ways – i.e., considering the local authority as both a controller/influencer and a controlled/influenced entity.

### Remeasurement on the Net Defined Benefit Liability (Pensions)

Comprises Actuarial Gains and Losses and Return on Plan Assets.

### Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### Revenue Expenditure

The day to day running costs incurred by the Council in providing its services.

### Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Capital expenditure which does not create or add to the value of an item of property, plant or equipment belonging to the authority. For instance, capital grants given to external bodies, or loans awarded for capital purchases.

### Scheme Liabilities (Pensions)

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

### Service Reporting Code of Practice (SeRCOP)

SeRCOP establishes proper practices with regard to consistent financial reporting for services. It is an official CIPFA statement – all local authorities in the United Kingdom are expected to adopt its mandatory requirements and detailed recommendations.

### Settlement (Pensions)

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibilities for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits,
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### UK GAAP

The body of accounting standards and other guidance which make up the current set of guidance (Generally Accepted Accounting Practice) followed by the local authority.

### Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.