



# Statement of Accounts

2014/15



**WELWYN  
HATFIELD**

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

## Explanatory foreword by Director (Finance and Operations)

### 1. Introduction

I am pleased to present the Statement of Accounts for Welwyn Hatfield Borough Council for 2014/15.

The purpose of the Statement of Accounts is to provide clear information to readers on how Welwyn Hatfield Borough Council has utilised available financial resources based on International Financial Reporting Standards (IFRS). This document provides details of the Comprehensive Income and Expenditure for the financial year 2014/15. The report provides the accounting for the General Fund, Housing Revenue Account and Collection Fund and all other accounts for which the Council is responsible. The Council's Balance Sheet provides details of the assets and liabilities as at 31 March 2015. Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of this publication to help explain some of the technical terms.

The accounts and all relevant documents are subject to review by Ernst & Young LLP who provides their opinion on the Council's accounts.

### 2. The Statement of Accounts

The main accounts and statements that you will see in this document, their purpose and the relationship between them are outlined below.

#### Explanatory foreword

The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of Welwyn Hatfield Borough Council's financial position.

#### Statement of responsibilities

This statement identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Director (Finance & Operations) to sign a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended.

#### The Core Financial Statements:

##### Movement in Reserves statement

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 '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 Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

##### Comprehensive Income and Expenditure statement

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 Movement in Reserves statement.

## Balance Sheet

The value at the end of the reporting period (i.e. 31<sup>st</sup> 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 (England) 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 core 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.

## 3. Review of 2014/15

The budget and council tax for 2014/15 was set in February 2014 in the context of the Council's Medium Term Financial Strategy and overall Business Plan. The budget sets out the detailed financial plans for the authority in its Revenue and Capital budgets. In setting its budget for 2014/15 it took into account:

- The Council's Business Plan, corporate and community priorities.
- The overall resource position and government guidelines on council tax increases.
- The outcome of consultation exercises with the public and other service stakeholders.
- The background of the previous year's financial position.
- The potential for improvements in cost effectiveness and the Government's current target for efficiency savings each year.
- The robustness of the estimates and budgetary risks.
- Medium Term Financial Strategy and the Council's position on contingencies and reserves.
- The Local Government Finance Settlement.
- Implications for council taxpayers.

During 2014/15 the council has continued with its financial strategy to freeze its element of council tax. This has been achieved by delivering efficiencies across services.

The 2014/15 budget was set against a background of ongoing government austerity measures, with the Council facing its fourth consecutive year of reductions in core funding from Central Government. The Bank of England base rate has remained low at 0.5% throughout the whole financial year

This section summarises the Council's financial performance for 2014/15, more detailed commentaries on the financial year end position (including general fund revenue, capital and housing revenue account) are in the report presented to Cabinet on 7<sup>th</sup> July 2015

## General Fund Revenue Outturn 2014/15

At the start of 2014/15, Full Council approved:

- Welwyn Hatfield Borough Council Budget of £14.516m with the increase in the Council's element of the average band D council tax frozen at 0% compared to 2013/14
- General Fund revenue growth of £1.31m and savings of £1.37m
- Interest income budgeted for was £0.183m (General Fund)
- Drawdown from reserves of £0.951m, of which £0.602m relates to general fund reserve

The macroeconomic conditions in the UK have improved during 2014/15 however interest rates have remained low. Improving economic conditions have seen improvement on the council's revenue income streams (e.g. car parking & estates income).

The table summarises the Council's final outturn position for 2014/15 against the original and current budgets:

	Original Budget	Current Budget	Actual	Variance to Original Budget	Variance to Current Budget
	£000	£000	£000	£000	£000
Net cost of services	19,064	17,774	16,372	2,692	1,402
Less investment income	(183)	(233)	(362)	180	130
Add interest expense	303	303	266	36	36
Less net adjustments for capital accounting and pension costs	(3,710)	(3,224)	(2,994)	(716)	(230)
<b>Net Operating Expenditure on services</b>	<b>15,473</b>	<b>14,621</b>	<b>13,283</b>	<b>2,191</b>	<b>1,338</b>
Add Parish Precepts	1,449	1,449	1,449	0	0
Add Payment to Parishes for Council Tax Support	130	130	130	-	-
<b>Subtotal</b>	<b>17,052</b>	<b>16,199</b>	<b>14,861</b>	<b>2,191</b>	<b>1,338</b>
Council Tax Support New Burdens Grant	(79)	(79)	(112)	33	33
Council Tax freeze Grant	(83)	(83)	(83)	(0)	(0)
New Homes Grant	(1,361)	(1,361)	(1,370)	9	9
Individual Electoral Registration Grant	(46)	(46)	(67)	21	21
Council Tax Reduction Administration	(128)	(128)	(128)	0	0
Council Tax Flood Relief Grant	0	(2)	(7)	7	5
Business Rates Related Grants	(28)	(474)	(447)	419	(27)
NNDR Levy payment	0	701	723	(723)	(22)
Less: (Use of) / contribution to strategic reserves and ring fenced balances	(355)	(388)	131	(486)	(519)
<b>Sub-total</b>	<b>14,972</b>	<b>14,338</b>	<b>13,500</b>	<b>1,471</b>	<b>838</b>
Less Income from					
Government Grants	(5,587)	(5,587)	(5,547)	(40)	(40)
Council Taxpayers	(8,783)	(8,783)	(8,783)	-	-
<b>Decrease / (Increase) in General Fund Balance (Attributable to the Council's activities)</b>	<b>602</b>	<b>(31)</b>	<b>(829)</b>	<b>1,431</b>	<b>798</b>

The final 2014/15 contribution to the general fund reserve amounted to £0.829m; this is a positive movement of £0.798m compared to the current budget. Additional income generation and under spends include:

- Investment income was above the budgeted figure by £130k bringing total income to £266k.
- The generation of income from fees & charges has improved for many services with parking income and season tickets increased by £132k, Estates rental income increased by £104k and garages contributed a further £54k than previously expected.
- There has been a reduced spend on office accommodation costs and additional capital works have meant there is a reduced requirement for responsive maintenance of £186k.

Other key points to note are:

The council delivered efficiency savings of £1.218m. This was 89% of the target set of £1.370m.

As part of the budget setting process £1.259m was approved as growth to cover priority areas of expenditure and also cover budget pressure areas. A total of £1.011m or 80% of the planned growth was spent during the year.

A report of over and under spends between the outturn and the current budget are given in the July Cabinet report.

## HRA revenue spending compared with budget

Reporting requirements for the Housing Revenue Account in the Statement are also laid out in the Code and not mirrored to internal organisational reporting. This can be reconciled through the Movement on the HRA Statement. The Council is legally obliged to hold separate accounts for the running of its housing stock. The balances on these accounts at the end of 2014/15 were £12.275m on the Housing Revenue Account.

A comparison of actual spending for the year with the original and current budget for the HRA, agreeing to the statutory HRA position, is summarised below. The final position has a contribution to balances of £1.006m, which represents a £3.553m favourable turnaround compared to the current budget.

	<b>Original Budget £000</b>	<b>Current Budget £000</b>	<b>Actual £000</b>	<b>Variance to current Budget £000</b>
Income- net of non-statutory items	50,190	50,208	50,168	(40)
Expenditure- net of non-statutory items	51,237	52,755	49,162	3,593
<b>Decrease / (Increase) in Reserves</b>	<b>1,047</b>	<b>2,547</b>	<b>(1,006)</b>	<b>3,553</b>

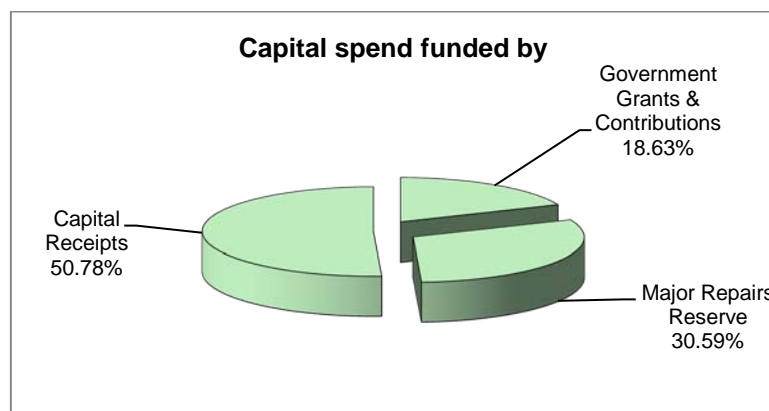
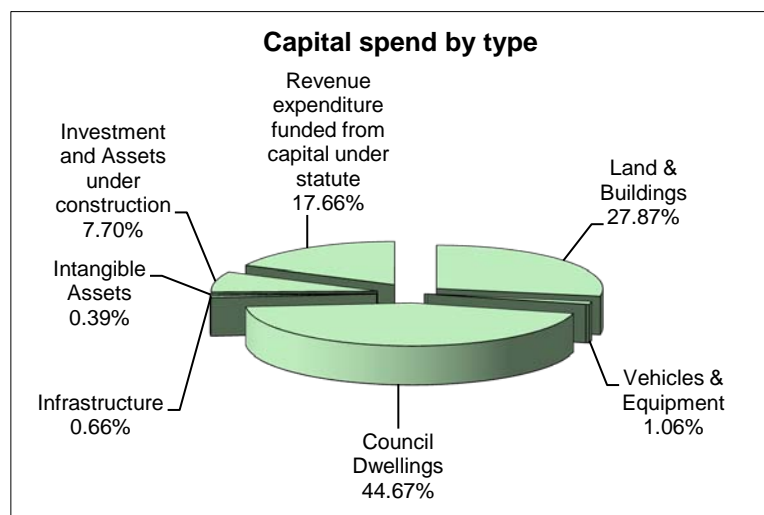
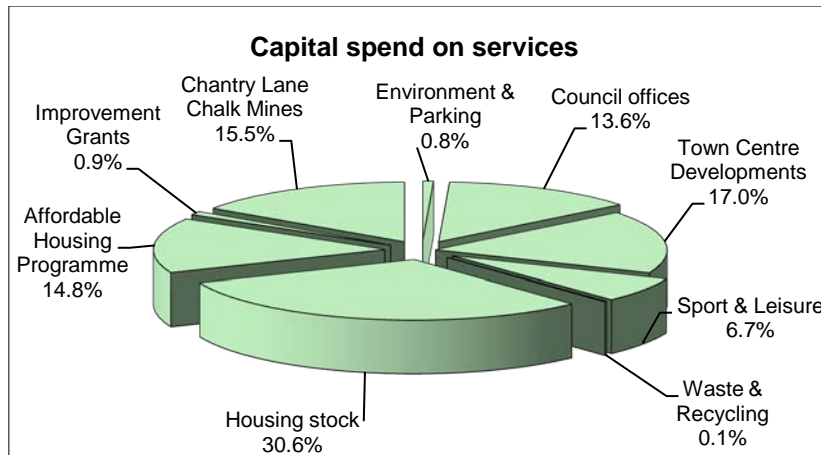
An analysis of the variations between outturn and current budget are below. A more detailed analysis is presented in the HRA outturn report for July Cabinet.

- Revenue contribution to capital lower as HRA funding required for investment in the affordable housing program was less due to timing of payments on the grant funding schemes and lower number of properties purchased in 4th quarter. (£1,863k)
- Net saving on Trust Management fee across three budget heads; supervision and management- £185k, special services- £187k and repairs and maintenance - £ 483; totalling £855k.
- Under supervision and management, lower amount for HRA pension contribution to Council's scheme for employees tupe-d on 01/04/2010-27k; Legal fees lower than current budget increased- £35k. Consultancy fee budget not spent- 41k. Other variances in Supervision and Management £30k.
- Repairs and maintenance budgets under spent on various responsive elements. Efficiency savings on Mears £263k; Brickwall cottages not spent £130k; other HRA maintenance budgets £38k; ( £184 on maintenance budgets and therefore part of Trust fee above; remainder £299k is Trust management fee saving relating to vacancies within the section and overall share of Trust vacancies)
- Decrease in provision for bad debts due to delay in welfare reforms (£243k)

## Capital spending

Total capital expenditure in the year was £31.18m, compared with a current budget (after roll forward amounts) of £31.9m, resulting in an under spend of £0.72m. £7.4m of the 2014/15 budget was approved to roll forward to be spent in 2015/16. A more detailed explanation on the capital outturn is contained in the July Cabinet report.

The total capital expenditure figure includes the net effect of any capital sundry creditors.



Capital spending on schemes in year has been under target with a higher value of schemes rolling forward into 2015/16 than in 2014/15. Projects rolling forward into 2015/16 include redevelopment schemes in Hatfield Town Centre and amounts for the Council's affordable housing programme. Capital income (receipts) from sales of assets has been higher than budgeted reflecting an increase in the number of council house sales.



## 4. Material assets acquired or liabilities incurred

The council has acquired a number of properties from St Modwen in Hatfield Town Centre during 2014/15 at a cost of £4.432m.

## 5. Pensions liability

Overall the pension fund deficit has increased by £2.8m during the year. The deficit has increased due to the increased service cost, total net interest on the obligation, and remeasurements of the assumptions totalling £4.769m. This has been partially offset by the employer's contributions of £1.968m made by the Council towards the ongoing deficit.

The pension liability has a significant effect on the net worth of the organisation; our annual contributions to the fund together with the statutory arrangements for funding the deficit over time means that the financial position of the authority remains healthy.

The next triennial pension valuation will take place in 2016. It is likely that this valuation will affect the current value of the pension liability and future employers' pension contributions into the scheme.

## 6. Significant changes in accounting policies

The accounts for 2014/15 are presented in accordance with 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 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 Statements of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003

The 2014/15 Code incorporates a number of accounting standards amendments relating to Group Accounts. This includes the amendments to IFRS 10, 11, 12 and IAS 27 & 28.

From its establishment the Welwyn Hatfield Community Housing Trust has been a wholly owned subsidiary of the Council. The group accounting requirements have been considered given the amended accounting standards as listed above. However, when taking into account materiality, the Housing Trust does not hold material assets to merit for group accounts to be produced. Therefore for 2014/15, Welwyn Hatfield Community Housing Trust (WHCHT)'s account will not be presented in group accounts with those of the Council for financial reporting purposes. The Council will not prepare group accounts in the 2014/15 Statement of Accounts.

## 7. Changes to services in the year and future plans

Over the last two years the Council has acquired a number of properties in Hatfield Town Centre and a refurbishment programme is now in progress. This will result in significant improvements to the commercial and residential properties and also the public realm in the town centre.

The Council began the Campus East office accommodation project during 2012/13. The lease of Bridge Road East offices ends in December 2015; one of the objectives of the accommodation project is to re-provide accommodation for the Community Housing Trust and Steria staff, who both occupy this building. The project involves building extensions within the two existing courtyards of the Campus East building, which will provide additional office space as well as a Council Chamber.

A range of leisure and entertainment services are currently provided at Campus West including a cinema / theatre, a roller skating arena, conference rooms and a bar / cafe. Significant capital investment has been made to Campus West to improve the local leisure and entertainment on offer for residents, and to increase both the footfall and projected income levels on site. This project was completed in September 2014, with the new facilities open to customers from October 2014.

Changes in benefit reform will be seen through the implementation of the universal credits due during 2016.

In 2014/15 the Council transferred the management of community services, comprising the Jim McDonald Centre and Community Bus Scheme, to Welwyn Hatfield Community Housing Trust. By completing this transfer, community services will complement services already provided by the Trust and will provide further opportunities for these to develop on a more cost effective basis. The transfer took place during this financial year and realised savings to the General Fund of £326k, and is expected to produce savings of £470k per year thereafter.

## 8. Current borrowing facilities and capital borrowing

As a result of the HRA self-financing system, implemented on 1st April 2012, the Council was required to make a one-off capital payment of £305m to the DCLG, which was funded by a loan from the Public Works Loan Board (PWLB). The outstanding principal value of the loan, carried on the balance sheet, amounted to £265m as at 31 March 2015.

## 9. Internal and external sources of funding

The Council currently has sufficient reserves available to fund its capital expenditure for the medium term. Revenue reserves are being drawn on during the medium term to balance the budget due to cuts in Central Government funding and restricted resources available.

If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board.

The council has a number of income streams for both revenue and capital spending which may be internal or external in nature.

Capital spending is primarily sourced from proceeds from the sale of assets, government funding through the Major Repairs Allowance and other grants and contributions.

Revenue spending on the General Fund services is sourced from fees and charges, council tax and business rates income, investment income, Central Government grant and usable reserve balances.

Housing services are funded from rental income, investment income and usable balances. In the medium term balances are available.

## 10. Other items of significance

### Collection rates for Council Tax and National Non-Domestic Rates (NNDR)

Collection Rate 2014/15	Council Tax	NNDR
Target	97.50%	99.10%
Actual	98.04%	99.15%

### Asset revaluation

The Council appointed Carter Jonas LLP to carry out a desk top valuation of a proportion of the General Fund assets in 2014/15. A number of new properties were purchased in Hatfield Town Centre during 2014/15. These have been valued by the Corporate Property Manager, Mike Storey BSc (Hons) MRICS.

The District Valuation Office carried out a desk top valuation of the council's housing stock at 01 April 2015 including an assessment of significant components. The impact of the valuations is disclosed in the notes to the accounts.

## 11. Outlook for 2015/16 and impact of current economic climate

As the Council continues to operate in an environment of much tighter local government funding, we have put in place a robust medium term financial strategy that sets out our planned savings to enable the budget to be balanced and to deliver affordable council tax levels covering a three year period. This is to ensure that resources continue to be directed to ensure good quality services can continue to be provided to our residents in future.

The Council set its 2015/16 budget during continuing Government austerity measures. Government funding to local government was reduced significantly; for Welwyn Hatfield, the reduction in core funding from Central Government is 15.2% in 2015/16.

Although the Council is in a strong financial position with the revenue and capital reserves at the start of 2015/16, we know that we are going through challenging times and we expect to draw on our reserves in that year. The projection on the Council's finances in the medium term will remain uncertain as our grant resources beyond 2015/16 will depend on the outcome of the next Spending Review which is expected in summer 2015.

The current government austerity measures place significant pressures on the Council's budget, through demand for services (e.g. increase in the requests for community grant from the third sector, the number of council tax support and housing benefit claimants has remained high), its ability to generate income due to low interest rates and high cost of living. There is also an imposed demand by Central Government on local authorities to take a substantial role to revitalise the local economy.

In particular the Council's budget is being squeezed in four key areas:

- reductions in Central Government funding;
- reductions in investment income due to low interest rates;
- maintaining income streams from fees and charges; and
- Council Tax freeze for the 6 years, up to and including 2015/16

## 12. Adequacy of balances and reserves to withstand future financial pressures

The Council has a reserves and balances policy that is agreed annually as part of the budget process and is reviewed as part of the Medium Term Financial Strategy.

The overall aim is to ensure that general fund revenue reserves do not fall below £1.5m. The current projections detailed within the Medium Term Financial Strategy keep within this target although it is recognised that balances are reducing as spending and income pressures emerge. The position is monitored as part of the regular financial management framework.

Housing Revenue balances remain healthy and are in excess of £12.2m.

Capital receipts reserves stand at £31.6m. The council's in year capital programme of £31.18m has been financed by £22.975m from capital receipts, grants and contributions and £8.205m from internal borrowing. The current economic position has had an adverse impact on the ability to generate substantial receipts. This is recognised over the life of the medium term financial strategy. In the future the authority is considering borrowing to fund its capital programme.

**Pam Kettle**  
**Director (Finance & Operations)**  
**10<sup>th</sup> June 2015**

## Movement in Reserves Statement

### 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 earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Movement in reserves during 2014/15	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Housing Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Note	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2014</b>	5,490	1,007	11,269	2,458	1,058	25,551	46,831	445,042	491,877
Surplus or (deficit) on the provision of services (accounting basis)	(2,944)	-	35,153	-	-	-	32,209	-	32,209
Other comprehensive income and expenditure	-	-	-	-	-	-	-	48,334	48,334
<b>Total comprehensive income and expenditure</b>	<b>(2,944)</b>	<b>-</b>	<b>35,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,209</b>	<b>48,334</b>	<b>80,543</b>
Adjustments between accounting basis and funding basis under regulations	6 3,904	-	(34,148)	1,237	(214)	6,012	(23,209)	23,209	-
<b>Net increase/ decrease before transfers to earmarked reserves</b>	<b>960</b>	<b>-</b>	<b>1,005</b>	<b>1,237</b>	<b>(214)</b>	<b>6,012</b>	<b>9,000</b>	<b>71,543</b>	<b>80,543</b>
Transfers to/ from earmarked reserves	7 (131)	131	-	-	-	-	-	-	-
<b>Increase/(decrease) in 2014/15</b>	<b>829</b>	<b>131</b>	<b>1,005</b>	<b>1,237</b>	<b>(214)</b>	<b>6,012</b>	<b>9,000</b>	<b>71,543</b>	<b>80,543</b>
<b>Balance at 31 March 2015</b>	<b>6,319</b>	<b>1,138</b>	<b>12,274</b>	<b>3,695</b>	<b>844</b>	<b>31,563</b>	<b>55,831</b>	<b>516,585</b>	<b>572,420</b>
<b>Purpose analysis</b>									
Capital	-	-	-	3,695	844	31,563	36,102	564,400	600,503
Revenue	6,319	1,138	12,274	-	-	-	19,731	(47,813)	(28,082)
<b>Balance at 31 March 2015</b>	<b>6,319</b>	<b>1,138</b>	<b>12,274</b>	<b>3,695</b>	<b>844</b>	<b>31,563</b>	<b>55,831</b>	<b>516,587</b>	<b>572,421</b>

## Movement in Reserves Statement

Movement in reserves during 2013/14	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Housing Major Repairs Reserve £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Note									
<b>Balance at 1 April 2013</b>	4,458	1,418	8,817	1,701	1,238	18,438	36,069	410,473	446,542
Surplus or (deficit) on the provision of services (accounting basis)	(15,472)	-	18,689	-	-	-	3,217	-	3,217
Other comprehensive income and expenditure	-	-	-	-	-	-	-	42,069	42,069
<b>Total comprehensive income and expenditure</b>	<b>(15,472)</b>	<b>-</b>	<b>18,689</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,217</b>	<b>42,069</b>	<b>45,286</b>
Adjustments between accounting basis and funding basis under regulations	6 16,095	-	(16,238)	757	(180)	7,115	7,549	(7,497)	52
<b>Net increase/ decrease before transfers to earmarked reserves</b>	<b>623</b>	<b>-</b>	<b>2,451</b>	<b>757</b>	<b>(180)</b>	<b>7,115</b>	<b>10,766</b>	<b>34,572</b>	<b>45,338</b>
Transfers to/ from earmarked reserves	7 411	(411)					-		-
<b>Increase/(decrease) in 2013/14</b>	<b>1,034</b>	<b>(411)</b>	<b>2,451</b>	<b>757</b>	<b>(180)</b>	<b>7,115</b>	<b>10,766</b>	<b>34,572</b>	<b>45,338</b>
<b>Balance at 31 March 2014</b>	<b>5,490</b>	<b>1,007</b>	<b>11,269</b>	<b>2,458</b>	<b>1,058</b>	<b>25,551</b>	<b>46,833</b>	<b>445,044</b>	<b>491,877</b>
<b>Purpose analysis</b>									
Capital	-	-	-	2,458	1,058	25,553	29,069	491,573	520,642
Revenue	5,492	1,007	11,268	-	-	-	17,766	(46,528)	(28,762)
<b>Balance at 31 March 2014</b>	<b>5,492</b>	<b>1,007</b>	<b>11,268</b>	<b>2,458</b>	<b>1,058</b>	<b>25,553</b>	<b>46,835</b>	<b>445,045</b>	<b>491,880</b>

# 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.

		2014/15		2013/14	
		Gross	Gross	Net	Net
	Note	Expenditure	Income	Expenditure	Expenditure
		£000	£000	£000	£000
Central services to the public		1,890	(663)	1,227	831
Cultural and Related Services		6,038	(2,324)	3,714	10,034
Environmental and Regulatory Services		9,096	(2,076)	7,020	7,383
Planning Services		5,657	(5,657)	0	3,133
Highways and transport services		1,890	(1,967)	(77)	408
Housing general fund services		40,784	(38,734)	2,050	2,198
Housing HRA services		7,787	(50,032)	(42,244)	(27,949)
Adult social care		963	(111)	852	1,471
Corporate and democratic core		2,173	(10)	2,163	1,970
Non distributed costs		142	-	142	215
<b>Cost of services</b>		<b>76,420</b>	<b>(101,573)</b>	<b>(25,154)</b>	<b>(306)</b>
Other operating expenditure	8			3,188	5,160
Financing and investment income and expenditure	9			7,978	9,219
Taxation and non-specific grant income and expenditure	10			(18,221)	(17,290)
<b>(Surplus) or deficit on provision of services</b>				<b>(32,209)</b>	<b>(3,217)</b>
(Surplus) or deficit on revaluation of Property, plant and equipment assets	18.1			(49,854)	(30,219)
Remeasurement of the net defined benefit liability	32.2			1,520	(11,850)
<b>Other comprehensive income and expenditure</b>				<b>(48,334)</b>	<b>(42,069)</b>
<b>Total comprehensive income and expenditure</b>				<b>(80,543)</b>	<b>(45,286)</b>

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the asset and liabilities recognised by the authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are 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). The second category of reserves is 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".

	Note	31 March 2015 £000	31 March 2014 £000
Property, plant and equipment	11	845,738	774,664
Heritage Assets		77	81
Investment properties	12	6,345	6,420
Intangible assets		322	308
Long-term investments	13.1	4,250	2,010
Long-term debtors	14	4,039	4,365
<b>Long-term assets</b>		<b>860,771</b>	<b>787,848</b>
Short-term investments	13.1	20,039	22,042
Short-term investments: available for sale	13.1	11,093	3,000
Inventories		49	53
Short-term debtors	14	7,585	11,138
Cash and cash equivalents	15	25,477	19,661
<b>Current assets</b>		<b>64,243</b>	<b>55,894</b>
Borrowing repayable with one year	13.1	(11,750)	(9,950)
Short-term creditors	16	(21,947)	(14,186)
<b>Current liabilities</b>		<b>(33,697)</b>	<b>(24,136)</b>
Provisions	17	(1,365)	(688)
Long-term borrowing - HRA Loan	13.1	(265,399)	(277,149)
Other long-term liabilities	13.1 & 32.3	(51,752)	(49,512)
Capital Grants Received in Advance	27	(380)	(380)
<b>Long term liabilities</b>		<b>(318,896)</b>	<b>(327,729)</b>
<b>Net assets</b>		<b>572,421</b>	<b>491,877</b>
General fund balance		6,319	5,490
Housing revenue account		12,275	11,269
Usable capital receipts reserve		31,562	25,551
Capital grants unapplied		845	1,058
Earmarked reserves	7	1,138	1,007
Housing major repairs reserve		3,694	2,458
<b>Usable reserves</b>		<b>55,833</b>	<b>46,833</b>
Revaluation reserve		115,711	67,474
Capital adjustments account		445,485	420,879
Deferred capital receipts		3,204	3,219
Accumulated Compensation Absence and Employment Reserve		(112)	(135)
Collection fund adjustment account		1,721	228
Pensions reserve		(49,422)	(46,621)
<b>Unusable reserves</b>	18	<b>516,587</b>	<b>445,044</b>
<b>Total reserves</b>		<b>572,421</b>	<b>491,877</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. The amount of net cash flows 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.

	Note	2014/15 £000	2013/14 £000
Net surplus or (deficit) on the provision of services		32,209	3,217
Adjust net surplus or deficit on the provision of services for noncash movements		11,262	31,590
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(17,848)	(13,486)
<b>Net cash flows from operating activities</b>		<b>25,623</b>	<b>21,321</b>
Investing activities	20	(14,419)	(11,869)
Financing activities	21	(5,388)	(9,332)
<b>Net increase or decrease in cash and cash equivalents</b>		<b>5,816</b>	<b>120</b>
Cash and cash equivalents at the beginning of the reporting period		19,661	19,541
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15</b>	<b>25,477</b>	<b>19,661</b>



## Notes to the Accounts

### 1. Accounting Policies

#### i. General principles

The Statement of Accounts summarises the Council's financial transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2011, and this requires the preparation to be in accordance with Proper Accounting Practices.

These practices primarily comprise the Code of Practice Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The Code of Practice requires that departures from recommended accounting policies are fully disclosed, and the reasons for them explained, in local authority accounts.

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.

#### ii. Accruals of income and expenditure

All transactions of the Council are accounted for in the year in which they take place, not simply when the cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies and services 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.
- Interest receivable on investments is accounted for 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

#### iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutes repayable without penalty on notice of no more than 24 hours. Cash equivalents are investments that mature in three calendar months or less from the date of acquisition and 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 Authorities cash management.

#### iv. Exceptional items

When items of income and expenses are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

#### v. 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.

Review of recharges methodology in 2014-15 identified an issue which inflated disclosure of gross income and gross expenditure figures in the Comprehensive Income and Expenditure Statement (£1.7m) and in Note 22 – Segmental Reporting (£12m). This treatment had been ongoing for a number of years, and consequently a prior period adjustment has been made to both the statement and the note for 2013/14 so that figures are comparable to 2014/15. This has no impact on the net totals and therefore no impact on the reserves of the authority.

### vi. Charges to revenue for Non Current Assets

Service revenue accounts, 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 services 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 cover depreciation, revaluation and impairment losses or amortisation. To neutralise the impact these are reversed out. This is achieved by an adjustment between the Capital Adjustment Account and the Movement in Reserves Statement.

The Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement.

### vii. Employee Benefits

#### Benefits Payable during Employment

Short-term employee benefits (those falling due within 12 months of the year end) such as wages, salaries and paid annual leave and sick leave, bonuses and non monetary benefits for current employees, are considered as an expense in the year in which the employee renders the service to the Authority.

An accrual is made against services in the surplus or deficit on the provision of service, 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. Accruals are not made for immaterial costs in respect of outstanding car mileage claims.

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 Welwyn Hatfield Borough 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 or, where applicable, to the Non Distributed Costs line 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.

Statutory provisions require the General Fund to be charged with the amount agreed to be payable to the pension fund, not the amount calculated according to the relevant accounting standards.

#### 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 (retirement lump sums and pensions), earned as employees working for Welwyn Hatfield Borough Council. Further details are included in the notes for the pension scheme.

#### 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 projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.1% at 31 March 2015 (based on indicative rate of return on yields available on Corporate Bonds based on the constituents of the iBoxx Corporate AA index). At 31 March 2014 the discount rate was 4.1%.

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 as part of Non Distributed Costs
  - **net interest on the net defined benefit liability**, i.e. net interest expense for the Welwyn Hatfield Borough 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits 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.

## viii. 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.

## ix. Financial Instruments and Financial assets

### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost, these include creditors and loans. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 Account 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

### Financial Assets

The Council's financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market.
- Fair value through profit and loss – assets that have an accounting treatment as derivatives with a positive value.

### Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement. For investments the measurement used is quoted market rates.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on de-recognition of an asset are credited/debited to the Comprehensive Income and Expenditure Account.

### Available-for-Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by Welwyn Hatfield Borough Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### 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.

#### x. 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 Account 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 liabilities in the Balance Sheet. When conditions are satisfied the item is credited to the appropriate service line in the Comprehensive Income and Expenditure Account.

Where capital grants are credited to the Comprehensive Income and Expenditure Account, 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.

#### xi. Interests in companies and other entities

From 1 April 2010 the Council has a wholly owned subsidiary (Welwyn Hatfield Community Housing Trust). However, when taking into account of materiality, the Housing Trust does not hold material assets for a group account to be produced. Welwyn Hatfield Community Housing Trust's (WHCHT) accounts are not grouped with those of the Council for financial reporting purposes.

#### xii. Long Term Contracts

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.

#### xiii. 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. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for any sale where cash received is greater than £10,000.)

### xiv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### xv. 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.

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 Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual provision is made, if appropriate, from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore replaced by a revenue provision in the General Fund balance, by way of adjusting transactions with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### 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 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).

#### 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.)

### xvi. Overheads and support services

The cost of overheads and support services are charged to those that benefit from the supply or services based on use and in accordance with CIPFA's Service Reporting Code of Practice 2014/15 (SeRCoP).

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multifunctional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in SeRCoP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of net expenditure on continuing services.

### xvii. 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 estimated has been calculated based on the charges to date.

#### Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and

Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement

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

- Investment properties: open market value
- Council dwellings: existing use value for social housing basis i.e. 39% of market value
- Property: including surplus assets and other land and buildings are included in the balance sheet at fair value, determined using the amount that would be paid for the asset in its existing use.
- 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 fair 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 and April 2010 for housing revenue account assets.

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 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 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 lines 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.

### Non Current Assets Held for Sale

An asset is held for sale where the carrying amount of the asset will be recovered principally through a sale transaction rather than through continued use. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and the fair value less costs to sell.

The asset must be available for immediate sale, in its present condition. The sale must be highly probable with management having initiated a plan to sell the asset and locate a buyer. The asset will not be subject to depreciation. The asset held for sale will be recorded as a current asset rather than as Property Plant and Equipment.

### Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.



Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to some housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow – the capital financing requirement. Receipts are appropriated to the reserve from 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 Movement in Reserves Statement.

### 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 12.

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.

### xviii. 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.

### xix. 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.

### **xx. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement (MIRS). 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 Account. The reserve is then appropriated back to the General Fund Balance in the MIRS 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.

- Capital Adjustment Account represents the balance of the surpluses or deficits arising from the periodic revaluations of non-current assets and the amounts set aside from revenue or capital receipts to finance expenditure on non-current assets and certain other capital financing transactions.
- Revaluation Reserve contains valuation gains recognised since 1 April 2007.
- Major Repairs Reserve is required by statutory provision in relation to the Housing Revenue Account (HRA).

The Council also has other specific earmarked reserves set out in more detail in the Notes to the Core Statements. 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.

### **xxi. 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. Where the Council meets the cost of the REFCUS from existing capital resources a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

### **xxii. VAT**

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

### **xxiii. Accounting for collection of Council Tax and NNDR in an agency role**

The Council acts as a billing authority, or agent on behalf of major preceptors in relation to Council Tax and Business Rates (NNDR). In this case the Council is collecting Council Tax and Business Rate Income on behalf of itself and preceptors (Hertfordshire County Council (HCC) and Hertfordshire Police and Crime Commissioner in relation to Council Tax and the Department for Communities and Local Government (DCLG) and HCC in relation to Business Rates).

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.

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

The following amendments to accounting standards will be adopted by the 2015/16 Code of Practice and are applicable from 1 April 2015.

### **IFRS13 Fair Value Measurement**

The definition of Fair Value has been revised to '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'. Surplus assets and investment property will now be required to be valued at 'best use' taking into account the condition and location of the assets and any restrictions on the sale of the asset.

This will be applied prospectively from 1 April 2015 and will apply to investment properties and surplus assets. Additional disclosures may be required, the details of which will depend on the methods applied by the valuers. We do not expect this to have a material impact on the accounts.

### **Annual Improvements to IFRSs (2011 – 2013 Cycle)**

#### **IFRS 1: Meaning of effective IFRSs**

The objective of this amendment is to clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of IFRS 1 First-time Adoption of IFRSs.

#### **IFRS 3: Scope exceptions for joint ventures**

The objective of this amendment is to clarify that paragraph 2(a) of IFRS 3 *Business Combinations*:

- a. excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and
- b. the scope exception only applies to the financial statements of the joint venture or the joint operation itself

#### **IFRS 13: Scope of paragraph 52 (portfolio exception)**

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. The objective of this amendment is to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

#### **IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property**

The objective of this amendment is to clarify that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3.

These amendments do not affect the level of disclosures made in these or future Financial Statements.

#### **IFRIC 21 Levies**

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

Welwyn Hatfield does not currently have any arrangements in place that this would apply to.

## 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.

## 4. Assumptions made about 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 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	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. 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £3.74m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in 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.  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 they represent the best estimate as at 31 March 2015.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 9% (£13.148m). During 2014/15 the Authority's actuaries advised that the net pension liability had increased by £2.801m. This was due to a number of partially offsetting changes in the assumptions. The most significant of which was a 1% reduction in the discount rate.
Arrears	At 31 March 2015, the Authority had a balance of sundry debtors for £992k. A review of significant balances suggested that an impairment of debts exceeding 90 days of 20% (£15k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £15k to be set aside as an allowance.
NNDR Appeals Provision	Following the introduction on 1 April 2013 of 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 2015. 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.	The Council's liability in this matter is limited to 7.5% of its baseline funding level. The Council holds a reserve to mitigate this risk.

## 5. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director (Finance & Operations) on 10<sup>th</sup> June 2015. 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<sup>st</sup> March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 6. 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.

2014/15	Usable Reserves						Total Usable Reserves	Movements in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Housing Major Repairs Reserves	Capital Grants Unapplied	Capital Receipts Reserve		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non current assets	2,801		10,312				13,113	(13,113)
Revaluation losses on Property Plant and Equipment (charged to SDPS)	684		(21,038)				(20,354)	20,354
Movements in the market value of Investment Properties	(135)						(135)	135
Movements in the market value of Rent-To-Mortgage properties			14				14	(14)
Amortisation of intangible assets	97		8				105	(105)
Capital grants and contributions applied	(5,469)						(5,469)	5,469
Provision for the repayment of debt			(9,950)				(9,950)	9,950
Revenue expenditure funded from capital under statute	5,506						5,506	(5,506)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	441		10,845				11,286	(11,286)
<b>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(58)					474	416	(416)
Capital expenditure charged against the General Fund and HRA balances			(2,843)				(2,843)	2,843
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to CIES	(793)		(10)		40	764	1	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(104)				(254)	18	(340)	340

## Notes to the core financial statements

2014/15	Usable Reserves						Total Usable Reserves	Movements in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Housing Major Repairs Reserves	Capital Grants Unapplied	Capital Receipts Reserve		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(299)		(10,901)			11,200	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure						(4,786)	(4,786)	4,786
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals			190			(190)	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,468					(1,468)	-	-
<b>Adjustment involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA			(10,775)	10,775			-	-
Use of the Major Repairs Reserve to finance new capital expenditure				(9,538)			(9,538)	9,538
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements								-
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,249						3,249	(3,249)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,968)						(1,968)	1,968
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax and non domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(1,492)						(1,492)	1,492
<b>Adjustment involving the Accumulated Absences Account</b>								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(24)						(24)	24
<b>Other adjustments include</b>								
<b>Adjustment between the Capital Adjustment Account and the Revaluation Reserve</b>								
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>3,904</b>	<b>-</b>	<b>(34,148)</b>	<b>1,237</b>	<b>(214)</b>	<b>6,012</b>	<b>(23,209)</b>	<b>23,210</b>

## Notes to the core financial statements

2013/14	Usable Reserves						Total Usable Reserves	Movements in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Housing Major Repairs Reserves	Capital Grants Unapplied	Capital Receipts Reserve		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non current assets	3,533		10,208				13,741	(13,741)
Revaluation losses on Property Plant and Equipment (charged to SDPS)	9,735		(7,989)				1,746	(1,746)
Movements in the market value of Investment Properties	325		(390)				(65)	90
Movements in the market value of Rent-To-Mortgage properties			(159)				(159)	(159)
Amortisation of intangible assets	214		8				222	(222)
Capital grants and contributions applied	(1,393)		(95)				(1,488)	1,488
Provision for the repayment of debt			(8,900)				(8,900)	8,900
Revenue expenditure funded from capital under statute	1,707						1,707	(1,707)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	430		14,331				14,761	(14,761)
<b>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(55)					444	389	(389)
Capital expenditure charged against the General Fund and HRA balances			(858)				(858)	858
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to CIES	(169)					169	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(14)				(180)	14	(180)	180

## Notes to the core financial statements

2013/14	Usable Reserves						Total Usable Reserves	Movements in Unusable Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Housing Major Repairs Reserves	Capital Grants Unapplied	Capital Receipts Reserve		
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(485)		(12,073)			12,912	354	-
Use of the Capital Receipts Reserve to finance new capital expenditure						(4,873)	(4,873)	4,873
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	6		191			(198)	(1)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,353					(1,353)	-	-
<b>Adjustment involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Allowance credited to the HRA			(10,512)	10,512			-	-
Use of the Major Repairs Reserve to finance new capital expenditure				(9,755)			(9,755)	9,755
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,219						4,219	(4,219)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,260)						(3,260)	3,260
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the CIES is different	(53)						(53)	53
<b>Adjustment involving the Accumulated Absences Account</b>								
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2						2	(2)
<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>16,095</b>	<b>-</b>	<b>(16,238)</b>	<b>757</b>	<b>(180)</b>	<b>7,115</b>	<b>7,549</b>	<b>(7,497)</b>



## 7. 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 2014/15.

Reserve	Balance at 1 April 2013	Net movement in year	Balance at 31 March 2014	Net movement in year	Balance at 31 March 2015	Purpose of reserve
	£000	£000	£000	£000	£000	
<b>Strategic Reserves</b>						
Strategic initiatives	1,309	(212)	1,097	(255)	842	For use on one-off specific general fund projects across the range of services.
<b>Subtotal</b>	<b>1,309</b>	<b>(212)</b>	<b>1,097</b>	<b>(255)</b>	<b>842</b>	
<b>Ring-fenced Reserves</b>						
Building control	(203)	(49)	(252)	21	(231)	Ring-fenced for building control service
Other Reserves	312	(150)	162	366	528	Various reserves
<b>Subtotal</b>	<b>109</b>	<b>(199)</b>	<b>(90)</b>	<b>386</b>	<b>296</b>	
<b>Total</b>	<b>1,418</b>	<b>(411)</b>	<b>1,007</b>	<b>131</b>	<b>1,138</b>	

**8. Other operating expenditure**

	2014/15 £000	2013/14 £000
Parish Council Precepts	1,579	1,563
Payments to the Government's Housing Capital Receipts Pool	1,468	1,353
(Gains)/losses on disposal of non-current assets	141	2,244
<b>Total</b>	<b>3,188</b>	<b>5,160</b>

**9. Financing and investment income and expenditure**

	2014/15 £000	2013/14 £000
Interest payable and similar charges	6,849	6,944
Net interest on the net defined benefit liability	1,896	2,551
Interest receivable and similar income	(524)	(414)
Income and expenditure in relation to investment properties and changes in their fair value	(243)	138
<b>Total</b>	<b>7,978</b>	<b>9,219</b>

**10. Taxation and non specific grant income and expenditure**

	2014/15 £000	2013/14 £000
Council tax income	9,179	8,743
Non domestic rates income	23,024	22,278
Non domestic rates tariff payable to Central Government	(19,377)	(19,006)
Non domestic rates levy to Central Government	(723)	(358)
Revenue Support Grant	2,995	3,823
Business Rates related Grants	447	234
Council Tax Freeze Grant	83	81
New Homes Bonus Grant	1,370	1,089
New Burdens Grant	240	78
Council Tax Flood Relief Grant	7	-
Individual Electoral Registration Grant	67	-
Capital grants, contributions and other items	908	328
<b>Total</b>	<b>18,221</b>	<b>17,290</b>

## 11. Property Plant and Equipment

### Movements on Balances in 2014/15

	Dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure	Community assets	Assets under construction	Total property, plant & equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
At 1 April 2014	689,552	77,504	12,049	5,243	1,862	2,765	<b>788,975</b>
Additions	13,929	8,740	316	206		2,399	<b>25,590</b>
Disposals	(11,079)	(84)	(679)				<b>(11,842)</b>
Reclassifications							-
Write out of depreciation on revaluation	(10,013)	(322)					<b>(10,335)</b>
Revaluation gains/(losses)	68,512	1,741				(735)	<b>69,518</b>
<b>At 31 March 2015</b>	<b>750,901</b>	<b>87,579</b>	<b>11,686</b>	<b>5,449</b>	<b>1,862</b>	<b>4,429</b>	<b>861,906</b>
<b>Depreciation and impairments</b>							
At 1 April 2014		(175)	(8,916)	(3,559)	(1,642)	(19)	<b>(14,311)</b>
Charge for the year	(10,247)	(1,724)	(977)	(153)	(6)		<b>(13,107)</b>
Disposals	234	2	679				<b>915</b>
Reclassifications		(19)				19	-
Write out of depreciation on Revaluation	10,013	322					<b>10,335</b>
<b>At 31 March 2015</b>	<b>-</b>	<b>(1,594)</b>	<b>(9,214)</b>	<b>(3,712)</b>	<b>(1,648)</b>	<b>-</b>	<b>(16,168)</b>
<b>Balance sheet amount at 31 March 2015</b>	<b>750,901</b>	<b>85,985</b>	<b>2,472</b>	<b>1,737</b>	<b>214</b>	<b>4,429</b>	<b>845,738</b>
<b>Balance sheet amount at 1 April 2014</b>	<b>689,552</b>	<b>77,329</b>	<b>3,133</b>	<b>1,684</b>	<b>220</b>	<b>2,746</b>	<b>774,663</b>
<b>Nature of asset holding</b>							
Owned	750,901	83,830	2,471	1,737	214	4,429	<b>843,582</b>
Finance lease	-	2,156	-	-	-	-	<b>2,156</b>
	<b>750,901</b>	<b>85,986</b>	<b>2,471</b>	<b>1,737</b>	<b>214</b>	<b>4,429</b>	<b>845,738</b>

## Movements on Balances in 2013/14

	Dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure	Community assets	Assets under construction	Total property, plant & equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
At 1 April 2013	673,188	78,093	11,642	5,123	1,863	1,781	<b>771,690</b>
Additions	11,248	926	407	120		1,711	<b>14,412</b>
Disposals	(11,895)	(2,725)					<b>(14,620)</b>
Reclassifications		758			24	(727)	<b>55</b>
Write out of depreciation on revaluation	(9,851)	(1,984)					<b>(11,835)</b>
Revaluation gains/(losses)	26,862	2,436			(25)		<b>29,273</b>
<b>At 31 March 2014</b>	<b>689,552</b>	<b>77,504</b>	<b>12,049</b>	<b>5,243</b>	<b>1,862</b>	<b>2,765</b>	<b>788,975</b>
<b>Depreciation and impairments</b>							
At 1 April 2013		(55)	(7,701)	(3,307)	(1,636)		<b>(12,699)</b>
Charge for the year	(10,085)	(2,178)	(1,215)	(252)	(6)		<b>(13,736)</b>
Disposals	234	55					<b>289</b>
Reclassifications		19				(19)	<b>-</b>
Write out of depreciation on Revaluation	9,851	1,984					<b>11,835</b>
<b>At 31 March 2014</b>	<b>-</b>	<b>(175)</b>	<b>(8,916)</b>	<b>(3,559)</b>	<b>(1,642)</b>	<b>(19)</b>	<b>(14,311)</b>
<b>Balance sheet amount at 31 March 2014</b>	<b>689,552</b>	<b>77,329</b>	<b>3,133</b>	<b>1,684</b>	<b>220</b>	<b>2,746</b>	<b>774,663</b>
<b>Balance sheet amount at 1 April 2013</b>	<b>673,188</b>	<b>78,038</b>	<b>3,941</b>	<b>1,816</b>	<b>227</b>	<b>1,781</b>	<b>758,990</b>
<b>Nature of asset holding</b>							
Owned	689,552	75,304	3,133	1,684	220	2,746	<b>772,639</b>
Finance lease	-	2,025	-	-	-	-	<b>2,025</b>
	<b>689,552</b>	<b>77,329</b>	<b>3,133</b>	<b>1,684</b>	<b>220</b>	<b>2,746</b>	<b>774,664</b>

## Depreciation

The following useful lives and depreciation rates 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	30
Vehicles, plant and equipment	5-7
Footway lighting	20

## Capital commitments

At 31 March 2015, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15. The outstanding major commitment is budgeted to cost £1.8m and is for the Campus East Extension. Similar commitments at 31 March 2014 were £5.155m.

## Revaluation

The Authority conducts a five year valuation of HRA assets. The HRA assets were re-valued on the 1 April 2010. In between these five yearly valuations an annual desktop review is undertaken.

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

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.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure	Surplus Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valued at depreciated historical cost</b>	750,901	85,986	2,471	1,737	-	214	4,429	<b>845,738</b>
<b>Valued at current value in:</b>								
2014/15 (1st April 2015)	750,901	85,986	-	-	-	-	-	<b>836,887</b>
2013/14 (1st April 2014)	689,552	77,329	-	-	-	-	-	<b>766,881</b>
2012/13 (1st April 2013)	673,188	78,037	-	-	-	-	-	<b>751,225</b>
2011/12 (1st April 2012)	670,234	65,828	-	-	-	-	-	<b>736,062</b>
2010/11 (1st April 2010 and 1st April 2011)	669,179	64,104	-	-	46	-	-	<b>733,329</b>

## 12. 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.

	2014/15 £000	2013/14 £000
Rental income from investment property	333	331
Direct operating expenses arising from investment property	(3)	(3)
<b>Net gain/(loss)</b>	<b>330</b>	<b>328</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.

	2014/15 £000	2013/14 £000
<b>Balance at start of the year</b>	<b>6,420</b>	7,185
Net gains/losses from fair value adjustment	135	(710)
Transfers to Property, Plant & Equipment	-	(55)
Disposals	(210)	-
<b>Balance at end of the year</b>	<b>6,345</b>	<b>6,420</b>

## 13. Financial instruments

### 13.1. Categories of financial instruments

The following categories of financial instruments are carried in the balance sheet:

	Long term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
<b>Investments</b>				
Principal	4,185	2,000	20,000	21,992
Interest	65	10	39	50
Available for sale	-	-	11,093	3,000
<b>Total investments</b>	<b>4,250</b>	<b>2,010</b>	<b>31,132</b>	<b>25,042</b>
<b>Cash and cash equivalents</b>				
Financial assets at amortised cost	-	-	25,029	19,382
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>25,029</b>	<b>19,382</b>
<b>Debtors</b>				
Loans and receivables	935	1,247	3,758	4,947
<b>Total debtors</b>	<b>935</b>	<b>1,247</b>	<b>3,758</b>	<b>4,947</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	227	285	-	-
Long Term Borrowing - HRA Loan	265,399	277,149	11,750	9,950
<b>Total borrowings</b>	<b>265,626</b>	<b>277,434</b>	<b>11,750</b>	<b>9,950</b>
<b>Other long term liabilities</b>				
Finance lease liabilities	2,103	2,605		
<b>Total creditors</b>	<b>2,103</b>	<b>2,605</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	11,509	6,325
<b>Total creditors</b>	<b>-</b>	<b>-</b>	<b>11,509</b>	<b>6,325</b>

Investment figures exclude money in immediate access accounts and investments for three months or less as they are treated as cash equivalents on the balance sheet.

## Notes to the core financial statements

### 13.2. Income, expenses, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

2014/15	Financial liabilities measured at amortised cost £000	Financial assets: loans and receivables £000	Total £000
Interest expense	6,849	-	6,849
<b>Total expense in surplus or deficit on provision of services</b>	<b>6,849</b>	<b>-</b>	<b>6,849</b>
Interest income	-	(524)	(524)
<b>Total income in surplus or deficit on provision of services</b>	<b>-</b>	<b>(524)</b>	<b>(524)</b>
<b>Net gain/(loss) for the year</b>	<b>6,849</b>	<b>(524)</b>	<b>6,325</b>

2013/14	Financial liabilities measured at amortised cost £000	Financial assets: loans and receivables £000	Total £000
Interest expense	6,944	-	6,944
<b>Total expense in surplus or deficit on provision of services</b>	<b>6,944</b>	<b>-</b>	<b>6,944</b>
Interest income	-	(414)	(414)
<b>Total income in surplus or deficit on provision of services</b>	<b>-</b>	<b>(414)</b>	<b>(414)</b>
<b>Net gain/(loss) for the year</b>	<b>6,944</b>	<b>(414)</b>	<b>6,530</b>

### 13.3. Fair value of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Cash flows arising from investments have been discounted at money market rates available for investments of similar remaining maturities on the balance sheet date
- The fair value of trade receivables and payables is taken to be the invoiced amount, no early repayment or impairment of any instrument is recognised



## Notes to the core financial statements

The fair values calculated are as follows:

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	11,509	11,509	6,325	6,325
Short Term Borrowing - HRA Loan	11,750	11,750	9,950	9,950
Long Term Borrowing - HRA Loan	265,399	272,484	287,099	289,767
<b>Total financial liabilities</b>	<b>288,658</b>	<b>295,743</b>	<b>303,374</b>	<b>306,042</b>
Loans and receivables				
- long term investments	4,185	4,416	2,000	2,015
- short term investments	20,000	20,000	21,992	21,992
- available for sale investments	11,093	11,093	3,000	3,000
- trade debtors	3,758	3,758	4,947	4,947
Long term debtors	935	935	1,247	1,247
<b>Total loans and receivables</b>	<b>39,971</b>	<b>40,202</b>	<b>33,186</b>	<b>33,201</b>

### 13.4. Fair Values

The Code specifies that all financial instruments should be recognised on the basis of fair value, adjusted for transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability. However, they are carried on the Balance Sheet at their amortised cost and it is a requirement that the differences between these two amounts are disclosed in the accounts. Normally this arises due to changes in interest rates between 31 March and the trade date.

Due to their short-term nature and maturity short term investments, debtors, creditors, bank deposits and bank overdrafts have fair values that are estimated to approximate their carrying values; therefore no difference has been disclosed.

The Council's debt outstanding at 31 March 2015 consisted of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with the Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loan on these dates.

## 14. Debtors

An analysis of debtors is shown below:

	Balance at	Balance at
	31 March	31 March
	2015	2014
	£000	£000
Government departments	1,040	2,191
Other local authorities	728	740
Other entities and individuals		
- current debtors	6,990	8,858
- long term debtors	4,039	4,365
	<b>12,797</b>	<b>16,154</b>
Provision for impairment of bad debts	(1,438)	(1,324)
Payments in advance	265	673
<b>Total</b>	<b>11,624</b>	<b>15,503</b>

## 15. Cash and Cash Equivalents

	Balance at 31 March 2015 £000	Balance at 31 March 2014 £000
Bank current accounts and Cash held	24,477	17,261
Short term deposits with building societies	1,000	2,400
<b>Total cash and cash equivalents</b>	<b>25,477</b>	<b>19,661</b>

## 16. Creditors

An analysis of creditors is shown below:

	Balance at 31 March 2015 £000	Balance at 31 March 2014 £000
Government departments	9,018	5,026
Other local authorities	4,701	2,627
Other entities and individuals - current creditors	8,228	6,533
<b>Total</b>	<b>21,947</b>	<b>14,186</b>

## 17. Provisions

The total value of specific provisions held at 31 March 2015 is:

	Claims provision £000	NNDR Provision for Appeals £000	Total £000
<b>Balance at 1 April</b>	131	557	<b>688</b>
Additional provisions made	130	1,084	<b>1,214</b>
Amounts used	(1)	(515)	<b>(516)</b>
Unused amounts reversed	(21)	-	<b>(21)</b>
<b>Balance at 31 March</b>	<b>239</b>	<b>1,126</b>	<b>1,365</b>

### NNDR 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 2015.

### 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.

## Notes to the core financial statements

Allowed for within the insurance provision are 15% of the known claims/settlements in relation to the Municipal Mutual Insurance (MMI) Ltd based on the latest information available. For further details on the MMI liability see Note 33 Contingent Liabilities

This provision also has an allowance for legal claims brought against the council.

### Doubtful debts

Provisions for doubtful debts are separately disclosed against debtors on the balance sheet. Information is included in Note 14 Debtors.

## 18. Unusable Reserves

	Balance at 31 March 2015	Balance at 31 March 2014
	£000	£000
Revaluation Reserve	115,711	67,474
Pension Reserve	(49,422)	(46,621)
Capital Adjustment Account	445,485	420,879
Deferred Capital Receipts reserve	3,204	3,219
Collection fund Adjustment Account	1,721	228
Accumulated Absence Account and Employment Reserve	(112)	(135)
<b>Total unusable reserves</b>	<b>516,587</b>	<b>445,044</b>

### 18.1. 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.

	2014/15	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>67,474</b>	<b>38,578</b>
Upward Revaluation of assets	53,439	41,926
Downward Revaluation of assets and impairment losses not charged to the surplus deficit on the provision of service	(3,584)	(11,707)
Difference between fair value depreciation and historic cost	(1,157)	(991)
Accumulated gains on assets sold or scrapped	(312)	(357)
Amounts written off to the Capital Adjustment Account	(149)	25
<b>Balance at 31 March</b>	<b>115,711</b>	<b>67,474</b>

## 18.2. 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 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

	2014/15	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>(46,621)</b>	<b>(57,512)</b>
Remeasurement of the net defined benefit liability	<b>(1,520)</b>	11,850
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	<b>(3,249)</b>	(4,219)
Employers' pensions contributions	<b>1,968</b>	3,260
<b>Balance at 31 March</b>	<b>(49,422)</b>	<b>(46,621)</b>

## 18.3. 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

	2014/15	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>420,879</b>	<b>425,978</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	(13,113)	(11,759)
Revaluation gains/losses on Property, Plant and Equipment	20,354	(856)
Amortisation of intangible assets	(105)	(222)
Provision for the repayment of debt	9,950	8,900
Revenue expenditure funded from capital under statute	(5,506)	(1,707)
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	(11,285)	(14,404)
	295	(20,048)
Adjusting amounts written out of the Revaluation Reserve	1,617	(991)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>1,912</b>	<b>(21,039)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	4,787	4,873
Use of the Major Repairs Reserve to finance new capital expenditure	9,538	9,755
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,469	1,502
Application of grants to capital financing from the Capital Grants Unapplied Account	339	166
Capital expenditure charged against the General Fund and HRA balances	2,842	858
<b>Total capital financing applied in year</b>	<b>22,975</b>	<b>17,154</b>
Movements in the market value of Investment Properties and Assets Held For Sale debited or credited to the Comprehensive Income and Expenditure Statement	135	(825)
Loan brought onto balance sheet	(416)	(389)
	22,694	15,940
<b>Balance at 31 March</b>	<b>445,485</b>	<b>420,879</b>

### 18.4. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and NNDR 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.

	2014/15 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>228</b>	<b>175</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	1,493	53
<b>Balance at 31 March</b>	<b>1,721</b>	<b>228</b>

### 19. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2014/15 £000	2013/14 £000
Interest received	477	461
Interest paid	<b>(6,861)</b>	(6,951)

### 20. Cash Flow Statement – Investing Activities

	2014/15 £000	2013/14 £000
Purchase of property, plant and equipment, investment property and intangible assets	<b>(25,484)</b>	(14,585)
Purchase of short term and long term investments	<b>(30,331)</b>	(27,043)
Other payments for investing activities	<b>(118)</b>	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	<b>12,252</b>	12,476
Proceeds from short term investments	<b>22,080</b>	16,008
Other receipts from investing activities	<b>7,182</b>	1,275
<b>Net cash flows from investing activities</b>	<b>(14,419)</b>	<b>(11,869)</b>

## 21. Cash Flow Statement – Financing Activities

	2014/15	2013/14
	£000	£000
Billing Authorities - Council Tax and NNDR adjustments	5,065	(377)
Repayment of long term borrowing	(9,950)	(8,955)
<b>Net cash flows from financing activities</b>	<b>(4,885)</b>	<b>(9,332)</b>

## 22. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation is charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

### Segment reporting

Service Information For the year ended 31 March 2015	Director Governance & Chief Executive	Director Finance & Operations	Director Strategy & Development	Housing Revenue Account (HRA)	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(588)	(8,609)	(3,023)	(49,373)	<b>(61,594)</b>
Government Grants and Contributions	(29)	(39,255)	(545)	(658)	<b>(40,488)</b>
<b>Total Income</b>	<b>(618)</b>	<b>(47,864)</b>	<b>(3,568)</b>	<b>(50,032)</b>	<b>(102,082)</b>
Employee expenses	2,824	2,595	4,680	91	<b>10,190</b>
Other operating expenses	1,248	51,387	5,121	8,738	<b>66,494</b>
Support service recharges	(536)	(2,988)	458	10,243	<b>7,178</b>
Depreciation, amortisation and impairment	4	2,808	821	(10,672)	<b>(7,039)</b>
<b>Total Operating Expenses</b>	<b>3,541</b>	<b>53,802</b>	<b>11,079</b>	<b>8,400</b>	<b>76,822</b>
<b>Net Cost of Services</b>	<b>2,925</b>	<b>5,938</b>	<b>7,511</b>	<b>(41,632)</b>	<b>(25,260)</b>

### Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement

<b>Net Cost of Services in Analysis</b>	<b>(25,260)</b>
Gain or (Loss) on HRA disposals & Capital Grants	(137)
Income and expenditure in relation to investment properties and changes in their fair value	243
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(25,154)</b>

## Notes to the core financial statements

Reconciliation to Subjective Analysis 2014/15	Service Analysis £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(61,594)	-	<b>(61,594)</b>
Interest and investment income	-	(523)	<b>(523)</b>
Income from council tax	-	(9,179)	<b>(9,179)</b>
Government Grants and Contributions	(40,488)	(9,031)	<b>(49,519)</b>
<b>Total Income</b>	<b>(102,082)</b>	<b>(18,733)</b>	<b>(120,815)</b>
Employee expenses	10,190	-	<b>10,190</b>
Other operating expenses	66,494	-	<b>66,494</b>
Support service recharges	7,178	-	<b>7,178</b>
Depreciation, amortisation and impairment	(7,039)	-	<b>(7,039)</b>
Interest Payments	-	8,745	<b>8,745</b>
Precepts & Levies	-	1,579	<b>1,579</b>
Payments to Housing Capital Receipts Pool	-	1,468	<b>1,468</b>
Gain or Loss on Disposal of Fixed Assets	-	(7)	<b>(7)</b>
<b>Total Operating Expenses</b>	<b>76,822</b>	<b>11,785</b>	<b>88,607</b>
<b>Surplus or Deficit on the provision of services</b>	<b>(25,260)</b>	<b>(6,948)</b>	<b>(32,208)</b>

Service Information For the year ended 31 March 2014	Director Governance & Chief Executive £000	Director Finance & Operations £000	Director Strategy & Development £000	Housing Revenue Account (HRA) £000	Total £000
Fees, charges & other service income	(594)	(8,314)	(2,826)	(47,510)	<b>(59,244)</b>
Government Grants and Contributions	(107)	(38,881)	(507)	(637)	<b>(40,132)</b>
<b>Total Income</b>	<b>(701)</b>	<b>(47,195)</b>	<b>(3,334)</b>	<b>(48,146)</b>	<b>(99,376)</b>
Employee expenses	2,769	2,967	4,826	89	<b>10,651</b>
Other operating expenses	1,059	50,423	5,380	12,144	<b>69,006</b>
Support service recharges	(393)	(3,275)	671	8,744	<b>5,747</b>
Depreciation, amortisation and impairment	7	7,418	6,695	1,882	<b>16,002</b>
<b>Total Operating Expenses</b>	<b>3,442</b>	<b>57,532</b>	<b>17,573</b>	<b>22,859</b>	<b>101,406</b>
<b>Net Cost of Services</b>	<b>2,743</b>	<b>10,337</b>	<b>14,239</b>	<b>(25,288)</b>	<b>2,030</b>

### Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement

<b>Net Cost of Services in Analysis</b>	<b>2,030</b>
Gain or (Loss) on HRA disposals	<b>(2,198)</b>
Income and expenditure in relation to investment properties and changes in their fair value	<b>(138)</b>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(306)</b>



## Notes to the core financial statements

<b>Reconciliation to Subjective Analysis 2013/14</b>	<b>Service Analysis £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges & other service income	(59,244)	-	<b>(59,244)</b>
Interest and investment income	-	(414)	<b>(414)</b>
Income from council tax	-	(8,743)	<b>(8,743)</b>
Government Grants and Contributions	(40,132)	(8,450)	<b>(48,582)</b>
<b>Total Income</b>	<b>(99,376)</b>	<b>(17,607)</b>	<b>(116,983)</b>
Employee expenses	10,651	-	<b>10,651</b>
Other operating expenses	69,006	-	<b>69,006</b>
Support service recharges	5,747	-	<b>5,747</b>
Depreciation, amortisation and impairment	16,002	-	<b>16,002</b>
Interest Payments	-	9,494	<b>9,494</b>
Precepts & Levies	-	1,562	<b>1,562</b>
Payments to Housing Capital Receipts Pool	-	1,353	<b>1,353</b>
Gain or Loss on Disposal of Fixed Assets	-	(49)	<b>(49)</b>
<b>Total Operating Expenses</b>	<b>101,406</b>	<b>12,360</b>	<b>113,766</b>
<b>Surplus or Deficit on the provision of services</b>	<b>2,030</b>	<b>(5,247)</b>	<b>(3,217)</b>

The 2013/14 segmental reporting note has been amended to reflect a change in presentation.

## 23. Trading operations

The Council has carried out the following trading operation:

Building Regulations Charging Account	Chargeable	Chargeable
	2014/15	2013/14
	£000	£000
<b>Expenditure</b>		
Employee Expenses	222	217
Other Expenditure	88	87
<b>Total Expenditure</b>	<b>309</b>	<b>304</b>
<b>Income</b>		
Building Regulation Charges	(330)	(255)
<b>Total Income</b>	<b>(330)</b>	<b>(255)</b>
<b>(Surplus)/deficit for year</b>	<b>(21)</b>	<b>49</b>

Trading operations for Building Control are incorporated into the Comprehensive Income and Expenditure Statement within Planning services.

## 24. Members Allowances

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

	2014/15	2013/14
	£000	£000
Basic allowance	233	229
Special responsibility allowance	98	102
Travelling and subsistence	10	9
<b>Total</b>	<b>341</b>	<b>340</b>

## 25. 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

Post title	Note	Salary	Expenses	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000	£000
Chief Executive		124	0	-	124	21	144
Director (Finance & Operations)		93	0	-	93	16	108
Director (Strategy & Development)	1	8	0	-	8	1	9
Director (Strategy & Development)	2	74	0	67	141	19	160
Director (Governance)		93	0	-	93	16	108
<b>Total</b>		<b>390</b>	<b>0</b>	<b>67</b>	<b>457</b>	<b>73</b>	<b>530</b>

Note 1: The Director (Strategy & Development) left the Council on 30/04/14; his annualised salary was £91,902.

Note 2: The new Director (Strategy & Development) was appointed 02/06/14; his annualised salary was £89,043. He left the organisation in April 2015.

Post title	Note	Salary	Expenses	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000	£000
Chief Executive		122	1	-	123	37	160
Director (Finance & Operations)		88	1	-	88	26	114
Director (Strategy & Development)		92	1	-	92	27	119
Director (Governance)		92	1	-	92	27	119
<b>Total</b>		<b>393</b>	<b>2</b>	<b>-</b>	<b>395</b>	<b>117</b>	<b>512</b>

## Notes to the core financial statements

### Officers' remuneration

The number of employees – other than 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.

Remuneration	Number of employees	
	2014/15	2013/14
£50,000 - £54,999	4	4
£55,000 - £59,999	3	3
£60,000 - £64,999	6	6
£75,000 - £79,999	1	-
	<b>14</b>	<b>13</b>

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		(e.) Total cost of exit packages for each band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
							£000	£000
£20,001 - £40,000	1	-	-	3	1	3	31	85
£60,001 - £80,000	-	-	1	-	1	-	67	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>98</b>	<b>85</b>

### 26. 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:

	2014/15	2013/14
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor	89	82
Fees payable for the certification of grant claims and returns	18	12
<b>Total</b>	<b>107</b>	<b>94</b>

## 27. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15 and 2013/14:

	2014/15	2013/14
	£000	£000
<b>Credited to Taxation and Non Specific Grant Income and Expenditure</b>		
Revenue Support Grant	2,995	3,823
Business Rates related Grants	447	-
Council Tax Freeze Grant	83	81
New Homes Bonus Grant	1,370	1,089
New Burdens Grant	240	78
Council Tax Flood Relief Grant	7	-
Individual Electoral Registration Grant	67	-
<b>Total</b>	<b>5,209</b>	<b>5,071</b>

The Authority credited the following grants, contributions and donations to the services in 2014/15 and 2013/14:

	2014/15	2013/14
	£000	£000
<b>Credited to Services</b>		
Homes & Communities Agency (HCA) funding (Chalk mines)	5,154	1,123
Council Tax & Housing Benefit Admin Grant	571	665
Housing benefit subsidy grant	37,831	37,297
Other Housing General Fund	6,957	1,152
Housing Revenue Account	10	95
Cultural and Environment	206	217
Central services	153	180
Net other movements	33	8
<b>Total</b>	<b>50,915</b>	<b>40,737</b>

Table above has been amended for 2013/14 presentation of housing benefit and HCA grant separately.

### Capital Grants 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 monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2015
	£000
<b>Capital Contributions Received in Advance</b>	
Developers Contributions	380
<b>Total</b>	<b>380</b>

## 28. 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 the subjective analysis in Note 22 on reporting for resources allocation decisions. Capital receipts outstanding at 31 March 2015 are shown in Note 29.

**Members** of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 22. During 2014/15 grants totalling £191k 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	Amount of Grant 2014/15  £000	Number of Councillors declaring an involvement	Amount of Grant 2013/14  £000	Number of Councillors declaring an involvement
Age Uk (Douglas Tilbe)	25	1	25	0
Citizens Advice Bureau (CAB)	81	1	81	1
Council for Voluntary Services (CVS)	10	1	10	1
Friendship House	13	1	13	1
Groundwork	-	-	4	1
Herts & Middlesex Wildlife Trust	2	2	-	-
Jimmy Macs	15	1	60	3
King George Football Club	1	1	-	-
Lemsford Football Club	1	1	-	-
Panshanger Football Club	1	1	-	-
Resolve	5	3	4	2
Vision4Growth	-	-	2	2
Welwyn Hatfield Sport and Physical Activity Alliance	1	1	-	-
Welwyn Warriors Lacrosse	2	1	-	-
Women's Refuge	34	3	36	3
<b>Total</b>	<b>191</b>	<b>18</b>	<b>234</b>	<b>14</b>

Two councillors are on the Board of Finesse; the Council made significant payments including management and related fees totalling £719,000 to Finesse in 2014/15. A 25 year contract is held with Finesse to provide leisure services, (this contract expires on the 18 January 2029) and a 5 year contract is also held to provide cemetery services (this contract expires on the 31 May 2015).

Lemsford FC received a grant of £1,000 in 2014/15 and the Head of Environment has members of their household that attend the club.

## Entities Controlled or Significantly Influenced by the Council

During 2014/15 the Council paid a management fee to Welwyn Hatfield Community Housing Trust totalling £11,008,008.63 and there is an outstanding liability of £787,497.66 at year end. The Council has control over the financial and operational polices of the housing trust. Three councillors are on the board of the trust.

A loan of £207,843 is held by Jubilee Care Trust with the Council; one councillor is on the board of the trust.

Further information about members and officers involvement can be obtained from Director (Finance and Operations), Council Offices, The Campus, Welwyn Garden City, Hertfordshire, AL8 6AE.

## 29. Capital expenditure and financing

	2014/15	2013/14
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>295,441</b>	<b>304,395</b>
<b>Capital Investment</b>		
Property, plant and equipment assets	25,552	14,412
Intangible assets	122	210
Held for sale assets	-	-
Revenue Expenditure Funded from Capital under Statute	5,506	1,707
Capital Loans	-	-
<b>Sources of finance</b>		
Capital receipts	(17,166)	(13,789)
Government grants and other contributions	(5,809)	(2,539)
Loan/ finance lease principal repayments	(10,008)	(8,955)
<b>Closing Capital Financing Requirement</b>	<b>293,638</b>	<b>295,441</b>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	1,803	8,954
<b>Increase/(decrease) in capital financing requirement</b>	<b>(1,803)</b>	<b>(8,954)</b>

## 30. Assets held under leases

### 30.1. Authority as Lessee

#### Finance leases

The Council has acquired two properties under finance leases; Weltech Business Centre and Chantry Court. In 2013/14 the Council also held Fiddlebridge Industrial Units under a finance lease.

## Notes to the core financial statements

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2015 £000	31 March 2014 £000
Other land and buildings	1,301	2,025
<b>Total</b>	<b>1,301</b>	<b>2,025</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:

	31 March 2015 £000	31 March 2014 £000
Finance lease liabilities (net present value of minimum lease payments):		
• Current	-	-
• Non current	2,103	2,606
Finance costs payable in future years	15,808	18,697
<b>Minimum lease payments</b>	<b>17,911</b>	<b>21,303</b>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Not later than one year	145	179	-	-
Later than one year and not later than five years	579	715	-	-
Later than five years	17,187	20,409	2,103	2,606
<b>Total</b>	<b>17,911</b>	<b>21,303</b>	<b>2,103</b>	<b>2,606</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.

### Operating leases

The Council leases one building for which the lease ends 24<sup>th</sup> December 2015. In 2013/14 the Council also leased a car park. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2015 £000	31 March 2014 £000
Not later than one year	160	227
Later than one year and not later than five years	-	160
<b>Total</b>	<b>160</b>	<b>387</b>



## 30.2. Authority as Lessor

### Finance leases

The Authority has leased out property at the Gosling Sports on a finance lease with a remaining term of 117 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 2015
	£000
Finance lease debtor (net present value of minimum lease payments):	
• Current	-
• Non current	101
Unearned finance income	671
<b>Gross investment in the lease</b>	<b>772</b>

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

	Gross Investment in the Lease	Minimum Lease Payments
	31 March 2015	31 March 2015
	£000	£000
Not later than one year	-	7
Later than one year and not later than five years	-	26
Later than five years	101	739
<b>Total</b>	<b>101</b>	<b>772</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.

### 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 12. The future lease payments receivable in future years are shown in the table below:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	1,662	1,688
Later than one year and not later than five years	4,007	4,389
Later than five years	24,234	25,211
<b>Total</b>	<b>29,903</b>	<b>31,288</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.

### 31. Termination Benefits

The Authority terminated the contracts of a number of employees in 2014/15, incurring liabilities of £98k (2013/14 £85k) - see Note 25 for the number of exit packages and total cost per band. The amount paid to the pension fund under statutory provision amounted to £38k (2013/14 £131k).

### 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.
- 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

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are 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:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>Cost of services</b>		
Current service cost	1,472	1,554
Gains and losses on curtailments/settlements	(119)	114
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Cost	1,896	2,551
Expected return on scheme assets		
<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>	<b>3,249</b>	<b>4,219</b>
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
„- Return on plan assets (excluding the amount included in the net interest expense)	(9,190)	(10,120)
- Actuarial gains and losses arising on changes in demographic assumptions	0	(4,192)
- Actuarial gains and losses arising on changes in financial assumptions	12,171	1,661
- Other	(1,461)	801
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,769</b>	<b>(7,631)</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	(3,249)	(4,219)
<b>Actual amount charged against the General Fund balance for pensions in the year</b>		
Employers' contributions payable to scheme	1,968	3,260
	<b>1,968</b>	<b>3,260</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:

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	152,448	140,648
Fair Value of Plan assets	(103,026)	(94,027)
<b>Net liability arising from defined benefit obligation</b>	<b>49,422</b>	<b>46,621</b>

## Notes to the core financial statements

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

	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	94,027	92,603
Interest Income	3,768	4,122
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	9,190	(801)
Contributions from employer	1,968	3,260
Contributions from employees into the scheme	455	402
Benefits paid	(5,982)	(5,559)
Losses/(gains) on curtailments/settlements	(400)	0
<b>Closing fair value of scheme assets</b>	<b>103,026</b>	<b>94,027</b>

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

	2014/15 £000	2013/14 £000
Opening balance at 1 April	140,648	150,115
Current service cost	1,472	1,554
Interest Cost	5,664	6,673
Contributions from scheme participants	455	402
Remeasurement (gains) and losses:		
- Actuarial gains/losses arising from changes in demographic assumptions	0	(4,192)
- Actuarial gains/losses arising from changes in financial assumptions	12,171	1,661
- Other	(1,461)	(10,120)
Losses/(gains) on curtailments/settlements	(519)	114
Benefits paid	(5,982)	(5,559)
<b>Closing balance at 31 March</b>	<b>152,448</b>	<b>140,648</b>

## Notes to the core financial statements

### 32.6. Local Government Pension Scheme assets comprised

	2014/15 £000			2013/14 £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	2,717		2,717	3,060		3,060
Equity securities:						
- Consumer	9,097		9,097	9,468		9,468
- Manufacturing	10,777		10,777	10,833		10,833
- Energy and Utilities	2,974		2,974	4,177		4,177
- Financial Institutions	9,260		9,260	10,212		10,212
- Health and Care	1,528		1,528	1,444		1,444
- Information and Technology	6,399		6,399	6,613		6,613
- Other	760		760	1,072		1,072
Debt Securities						
- Corporate Bonds (investment grade)	0		0	7,794		7,794
- UK Government	0		0	5,792		5,792
- Other	0		0	1,990		1,990
Private Equity		4,268	4,268		3,812	3,812
Real Estate:						
- UK Property		0	0		3,640	3,640
- Overseas Property		0	0		2,065	2,065
Investment Funds and Unit Trusts:						
- Equities	14,803		14,803	14,307		14,307
- Bonds	27,481		27,481	2,293		2,293
- Commodities	446		446	399		399
- Infrastructure		92	92	0		0
- Other	324	12,325	12,649	4,974		4,974
Derivatives:						
Foreign Exchange		(223)	(223)		82	82
<b>Closing balance at 31 March</b>	86,564	16,462	<b>103,026</b>	84,428	9,599	<b>94,027</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 31 March 2013.

The principal assumptions used by the actuary have been:

### Basis for estimating assets and liabilities

	2014/15	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.3	22.3
Women	24.5	24.5
Longevity at 65 for future pensioners:		
Men	24.3	24.3
Women	26.7	26.7
Rate of inflation	1.9%	2.8%
Rate of increase in salaries	3.5%	3.9%
Rate of increase in pensions	2.1%	2.6%
Rate of discounting scheme liabilities	3.1%	4.1%

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)
0.5% decrease in Real Discount Rate	9%	13,148
1 year increase in member life expectancy	3%	4,573
0.5% increase in Salary Increase Rate	1%	2,262
0.5% increase in the Pension Increase Rate	7%	10,778

## 32.8. Impact on the Authority's Cash Flows

The actuaries anticipate Employers Contributions for the period to 31 March 2015 will be approximately £1,955,000. The weighted average duration of the defined benefit obligation for scheme members is 15.6 years. The durations are as they stood at the previous formal valuation as at 31 March 2013.

### 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

### 33.1. Guarantees

- 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.
- Only certain organisations can participate in the LPFA Pension Fund. 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. The Council has given such a guarantee in respect of staff TUPE'd to Mears Limited, CP Plus Limited, Serco Limited (Plc), Steria Services Limited, Hayward Services Limited, Welwyn Hatfield Leisure Limited (Finesse) and Welwyn Hatfield Community Housing Trust Limited.

The Council is acting as a guarantor for existing staff at the transfer date only. As at the end of March 2015 no guarantees had been exercised.

### 33.2. A1(M) Tunnel – Galleria Development

The Council has given a full warranty in respect of the integrity of the tunnel structure for a period of 30 years from the date of signing the agreement (1987), to the Carroll Group (the developers of the Galleria). It is impossible to estimate with any accuracy the liability from a collapse of the tunnel. It is certain that such an event is very unlikely as the tunnel is subject to regular engineering checks by the Highways Agency in accordance with BD63 Inspection of Highway Structures. Since construction the findings of all inspections indicate there are no problems with regards to the tunnel's structural integrity. Extensive refurbishment of the tunnel has recently been completed which makes any problem even less likely.

### 33.3. MMI

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 incepted 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 13th 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 13th November 2012 a review was carried out of the assets and liabilities of MMI, to determine whether a Levy on Scheme Creditors was required. On 2 April 2013 the Scheme Administrator advised various models of projected outcomes indicated a Levy of between 9.5% and 28% may be required to achieve a solvent run off. It was subsequently concluded that a Levy of 15% be imposed and a charge of £62,675 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. Because of the nature of many of the claims the projections are subject to substantial uncertainty. It is not possible therefore to guarantee that the initial levy percentage of 15% will be sufficient or the remaining liabilities will fall within the range projected.

As of 31st March 2015 the total amount liable to claw back is £417,837. This issue is likely to run for many years before final resolution is achieved.

### 33.4. Moors Walk Development

William Verry Ltd, who was the main contractor on the Moors Walk project, went into administration on 1st May 2009. There is an unresolved disputed amount owing to the administrator of £1,454,000, and potential additional fees estimated at £200,000.

### 33.5. Queensway House

There is an outstanding claim from the contractor, Mullaleys, who completed a major capital project in 2012/13 – the external refurbishments of Queensway House, a residential tower block in Hatfield. The council had employed the project management company Mace to oversee this refurbishment project. The contractor has submitted a number of claims for extra time – which equates to approximately £300,000. This is based on a number of issues. The claim is being robustly defended by the council.

### 33.6. Land charges - Personal searches

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

### 33.7. Other claims

There are at least two "live" health and safety cases which the council is prosecuting and a potential food safety case. An appeal against a nuisance abatement notice is currently live before the Crown Court. If the Council was to be unsuccessful in these cases it may be liable for costs estimated at £130,000.

## 34. Nature and Extent of Risk Arising From Financial Instruments

### 34.1. Overall procedures for managing risk

The authority manages its treasury risk exposures in compliance with the CIPFA Code of Practice on Treasury Management in the Public Services, and seeks to minimise the potential adverse impact on its resources that may arise from its holdings of financial instruments. Treasury activities are conducted by the Director (Finance and Operations) and her staff in accordance with the authority's Financial Regulations, Treasury Management Policy and Practices. In addition, the full Council approves a treasury management strategy each financial year, which includes its strategy for managing financial risks.

#### Summary of content of policy for 2014/15

- The prime objective of the strategy is to ensure prudent investment of surplus funds. Priorities are the security of capital, liquidity of investments and within those objectives, to secure optimum performance.
- The Council takes account of credit ratings published by the three main rating agencies (Moody's, Standard & Poors and Fitch) to establish the credit quality of counterparties. All credit ratings are monitored and a list of eligible counterparties produced monthly.
- Amounts to be committed in excess of 1 year are determined based on cash flow forecasts and the availability of core cash
- Investments will be diversified as much as possible across many institutions in order to reduce the risk of excessive losses in case of default.



## Notes to the core financial statements

The services of an independent treasury advisor are engaged to assist in the formation of the Council's strategy and to ensure awareness of risk associated with its investment and borrowing portfolio. In recent history the Council has not encountered any breach of contracts regarding investments and has modified its treasury strategies to respond to increased risk associated with deteriorating economic and market conditions. Whilst the Council therefore believes its exposure to credit risk through investments is low, continuing pressures on the banking sector and the heightened risk of default means security of investments remains of primary importance.

### Credit risk: Investments

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers.

Deposits are not made with banks and other financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Council's treasury management strategy. All investments are domiciled in the UK.

The credit criteria in respect of financial assets held by the Council are as detailed below:

		Cash limit	Time limit
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	*£3m each of which no more than £2m over 1 year	10 years
	AA+		5 years
	AA		4 years
	AA-		3 years
	A+		2 years
	A		1 year
	A-		
UK building societies without credit ratings and those whose lowest published long term credit rating is BBB or BBB+		£2m each	1 year
Money market funds		£3m each	n/a
UK Central Government (irrespective of credit rating)		unlimited	10 years
UK Local Authorities (irrespective of credit rating)		£3m each	10 years
UK Registered Providers of Social Housing whose lowest published long term credit rating is A- or higher		£3m each	10 years
UK Registered Providers of Social Housing whose lowest published long term credit rating is BBB- or higher and those without credit ratings		£3m each	5 years

\*HSBC £4m

Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment. Independent investment advice is also received on investing with organisations without credit ratings.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

## Notes to the core financial statements

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	Long Term		Short Term	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
	£000s	£000s	£000s	£000s
AAA	1,000	-	17,611	11,747
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	8,408	6,228
A+	-	-	5,060	-
A	-	-	13,006	9,000
A-	-	-	5,000	8,000
BBB	-	-	-	2,000
Unrated local authorities	4,000	2,000	-	3,400
Unrated building societies	-	-	6,000	4,000
Unrated housing associations	185	-	-	-
Unrated pooled funds	-	-	-	-
<b>Total Investments</b>	<b>5,185</b>	<b>2,000</b>	<b>55,085</b>	<b>44,375</b>

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

### Credit risk: Receivables

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council. The Authority does not generally allow credit for customers, such that £1.212m of the balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2015 £000	31 March 2014 £000
Less than three months	1,088	1,245
Three months to one year	74	67
More than one year	50	54
<b>Total</b>	<b>1,212</b>	<b>1,366</b>

### 34.2. Liquidity risk

The authority has a comprehensive cash flow management process to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The investment strategy reflects the importance of liquidity in treasury management by making this the second priority after security of funds. Liquidity risk has also been minimised further by the tightening of investment criteria to respond to increased credit risk, so that the majority of investments held by the Council are immediately available or available within one year.

The council actively manages its investments and has regard to the maturity profile of the debt. In addition, the use of cash flow modelling ensures that cash funds are available to meet daily cash flows.

The maturity analysis of financial instruments is as follows:

## Notes to the core financial statements

	31 March 2015		31 March 2014	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	£000	£000	£000	£000
Less than one year	<b>34,890</b>	<b>23,259</b>	29,989	16,275
Over one year	<b>5,185</b>	<b>267,729</b>	3,257	280,039
<b>Total</b>	<b>40,075</b>	<b>290,988</b>	<b>33,246</b>	<b>296,314</b>

All trade and other payables are due to be paid in less than one year.

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

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

#### Price risk

The market prices of the Council’s fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

#### Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movements in exchange rates.

## 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.

	Notes	2014/15 £000	2013/14 £000
<b>Expenditure</b>			
Repairs and maintenance		10,103	10,237
Supervision and management		7,713	7,445
Rent, rates, taxes and other charges		425	403
Depreciation and impairments of non-current assets		(10,717)	1,837
Debt management expenses	H5	45	45
Sums directed by Secretary of State		37	-
Increase/ (decrease) in bad debt provision		157	206
<b>Total expenditure</b>			<b>7,762</b>
<b>Income</b>			
Dwelling rents		(47,667)	(45,710)
Non-dwelling rents		(392)	(406)
Charges for services and facilities		(1,238)	(1,344)
Contributions towards expenditure		(710)	(662)
<b>Total income</b>			<b>(50,007)</b>
<b>Net cost of HRA services as included in the council's Comprehensive Income and Expenditure Statement</b>			<b>(42,244)</b>
HRA share of corporate and democratic core		475	463
<b>Net income from HRA services</b>			<b>(41,769)</b>
(Gain) or loss on sale of HRA non-current assets		148	2,293
Interest payable and similar charges		6,641	6,696
HRA interest and investment income		(161)	(98)
Capital Grants and Contributions Receivable		(10)	(95)
<b>(Surplus) or deficit for the year on HRA services</b>			<b>(35,153)</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 difference between the calculated depreciation on HRA assets and the Housing Subsidy Major Repairs Allowance has to be adjusted back into the balance for the year; and
- 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.
- Payment to DCLG equivalent to the Self Financing Loan which is included under expenditure has been reversed through the account to capital adjustment account.

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

	2014/15	2013/14
	£000	£000
<b>Opening balance on HRA as at 1 April</b>	<b>(11,269)</b>	<b>(8,817)</b>
(Surplus) or deficit on the HRA Income and Expenditure Statement	<b>(35,153)</b>	<b>(18,690)</b>
<i>Adjustments between accounting basis and funding basis under regulations</i>		
Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with statutory HRA requirements	<b>21,037</b>	9,179
Gain or loss on sale of HRA non-current assets	<b>(148)</b>	(2,293)
Capital expenditure funded by the Housing Revenue Account	<b>2,842</b>	858
Capital grants and contribution receivable	<b>10</b>	95
Capital receipts arising from disposal of non fixed assets	-	3
<b>Net increase or decrease before transfers to or from reserves</b>	<b>(11,411)</b>	<b>(10,848)</b>
<i>Transfers to or from reserves</i>		
Transfer to/from the Major Repairs Reserve	<b>455</b>	296
Transfer to/from the Capital Adjustment Account	<b>9,950</b>	8,100
<b>(Increase) or decrease in year on HRA</b>	<b>(1,006)</b>	<b>(2,452)</b>
<b>Closing balance on HRA as at 31 March</b>	<b>(12,275)</b>	<b>(11,269)</b>

# Notes to the Housing Revenue Account

## Notes to the Housing Revenue Account

### H1 Housing stock numbers and values

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

	2014/15 Number	2013/14 Number
Houses and bungalows	6,354	6,402
Flats and maisonettes	2,711	2,733
Equity share	8	8
	<b>9,073</b>	<b>9,143</b>

#### H1.2 Asset values

	31 March 2015 £000	31 March 2014 £000
<b>Operational assets</b>		
Dwellings	750,902	689,552
Intangible	0	8
Other land and buildings	730	534
Equipment	132	194
<b>Non-operational assets</b>		
Investments	1,950	1,950
Assets Under Construction	97	11
<b>Total</b>	<b>753,811</b>	<b>692,249</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 to government of providing council housing at less than open market rents.

	2014/15 £000	2013/14 £000
Vacant possession value of housing stock at 1 April	1,925,389	1,768,081

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

This reserve was set up on the 1 April 2001 and financed by an additional element to housing subsidy received from the government. The reserve may only be used for capital related expenditure on the housing stock. The movement was as follows:

	2014/15 £000	2013/14 £000
Opening balance as at 1 April	2,458	1,701
Transfer to major repairs reserve during financial year	10,320	10,216
Transfer (to)/from major repairs reserve to HRA	455	296
Capital expenditure	(9,539)	(9,755)
<b>Closing balance as at 31 March</b>	<b>3,694</b>	<b>2,458</b>

## H4 Summaries of total capital expenditure and receipts

### H4.1 Summary of total capital expenditure

	2014/15 £000	2013/14 £000
Total capital expenditure in year	14,177	11,259
<b>Financed by:</b>		
Direct revenue funding	2,842	858
Capital grants receivable	10	95
Capital receipts reserve	1,787	551
Major repairs reserve	9,538	9,755
<b>Total financing</b>	<b>14,177</b>	<b>11,259</b>

### H4.2 Summary of total capital receipts

	2014/15 £000	2013/14 £000
House sales	10,901	11,570
Discounts recovered	12	-
<b>Total receipts</b>	<b>10,913</b>	<b>11,570</b>

## H5 Depreciation and impairment of assets

	2014/15 £000	2013/14 £000
<b>Depreciation:</b>		
HRA Dwellings	10,247	10,085
Other land and buildings	73	131
<b>Revaluation Losses/ (Gains):</b>		
HRA Dwellings	(21,037)	(9,179)
<b>Total</b>	<b>(10,717)</b>	<b>1,037</b>

## H6 Rent arrears

	2014/15 £000	2013/14 £000
Outstanding rent arrears at 31 March	2,394	2,194
Provision for uncollectable debts at 31 March	964	942

## 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.

2013/14			Collection Fund			2014/15		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000		
<b>Income</b>								
(58,033)		(58,033)	Council Tax Receivable	(59,047)		(59,047)		
-		-	Council Tax Benefits	-		-		
	(57,111)	(57,111)	Business Rates Receivable		(59,514)	(59,514)		
	213	213	Transitional Payment Protection due		220	220		
<b>(58,033)</b>	<b>(56,898)</b>	<b>(114,931)</b>	<b>Total income</b>	<b>(59,047)</b>	<b>(59,294)</b>	<b>(118,341)</b>		
<b>Expenditure</b>								
Precepts, Demands and Shares								
42,094	5,570	47,664	- Hertfordshire County Council	42,216	5,482	47,698		
5,561		5,561	- Hertfordshire Police Authority (Council Tax Only)	5,578		5,578		
8,810	22,278	31,088	- Welwyn Hatfield Borough Council	8,868	21,929	30,797		
	27,848	27,848	- Central Government (Business Rates Only)		27,411	27,411		
Charges to Collection Fund								
-	151	151	- Less costs of collection	-	153	153		
117	315	432	- Less write offs of uncollectable amounts	218	6	224		
321	(40)	281	- Less increase/(decrease) allowances for impairment	58	150	208		
	1,393	1393	- Less increase/(decrease) provision for appeals		1,422	1,422		
Contribution towards previous year (deficit)/surplus								
(576)	-	(576)	- Hertfordshire County Council	(203)	(10)	(213)		
(76)		(76)	- Hertfordshire Police Authority (Council Tax Only)	(27)		(27)		
(120)	-	(120)	- Welwyn Hatfield Borough Council	(43)	(43)	(86)		
	-	0	- Central Government (Business Rates Only)		(53)	(53)		
<b>56,131</b>	<b>57,515</b>	<b>113,646</b>	<b>Total Expenditure</b>	<b>56,666</b>	<b>56,447</b>	<b>113,113</b>		
(1,902)	617	(1,285)	<b>Movement on fund balance</b>	<b>(2,382)</b>	<b>(2,847)</b>	<b>(5,229)</b>		
(1,122)	-	(1,122)	<b>Balance at beginning of year</b>	<b>(3,024)</b>	<b>617</b>	<b>(2,407)</b>		
<b>(3,024)</b>	<b>617</b>	<b>(2,407)</b>	<b>Balance at end of year (surplus)/deficit</b>	<b>(5,406)</b>	<b>(2,230)</b>	<b>(7,636)</b>		
<b>Shares of balance</b>								
(2,251)	62	(2,189)	- Hertfordshire County Council	(4,067)	(223)	(4,290)		
(297)		(297)	- Hertfordshire Police Authority (Council Tax Only)	(510)		(510)		
(476)	247	(229)	- Welwyn Hatfield Borough Council	(829)	(892)	(1,721)		
	309	308.5	- Central Government (Business Rates Only)		(1,115)	(1,115)		
<b>(3,024)</b>	<b>617</b>	<b>(2,407)</b>		<b>(5,406)</b>	<b>(2,230)</b>	<b>(7,636)</b>		



## Notes to the Collection Fund

### C1 Non-domestic rates

The total non-domestic rateable value at 31 March 15 was £143.4m

The national non-domestic rate multiplier for the year was 47.1p for small business and 48.2p 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	530.0	6/9	353.3
B	3,915.3	7/9	3,045.2
C	12,816.3	8/9	11,392.2
D	10,279.8	9/9	10,279.8
E	4,617.5	11/9	5,643.6
F	3,981.8	13/9	5,751.5
G	3,500.3	15/9	5,833.8
H	568.0	18/9	1,136.0
<b>Total</b>	<b>40,208.8</b>		<b>43,435.3</b>
Less adjustment for Council Tax Support			(4,735.2)
Total tax base before Collection Rate Adjustment			<b>38,700.1</b>
Less adjustment for collection rates			97.5%
<b>Council tax base</b>			<b>37,732.6</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 Director (Finance and Operations);
- manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- approve the Statement of Accounts.

### Council Approval

The Statement of Accounts for the year to 31<sup>st</sup> March 2015 has been prepared and was approved by the Chair of the Audit Committee under delegated powers given to him by the meeting of the Committee on 5<sup>th</sup> August 2015.

**Councillor Steven Markiewicz**  
**Chair of Audit Committee**  
**Date: 5<sup>th</sup> August 2015**

### 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 2015.

**Pam Kettle**  
**Director (Finance and Operations)**  
**5<sup>th</sup> August 2015**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELWYN HATFIELD BOROUGH COUNCIL**

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Welwyn Hatfield Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The Authority financial statements comprise

the Authority Movement in Reserves Statement,  
the Authority Comprehensive Income and Expenditure Statement,  
the Authority Balance Sheet,  
the Authority Cash Flow Statement,  
the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund  
and the related notes 1 to 34, H1 to H6 and C1 to C2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Welwyn Hatfield Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on pages 73, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Respective responsibilities of the Authority and auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, *Welwyn Hatfield Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

***Certificate***

We certify that we have completed the audit of the accounts of Welwyn Hatfield Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

.....

Date.....

*Neil Harris*  
*for and on behalf of Ernst & Young LLP, Appointed Auditor*  
*Luton*

## 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.

### 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 actuarial assumptions made for the last valuation (experience gains and losses), or
- the actuarial assumptions have changed.

### 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.

### Cash Equivalent

Current asset investments that are readily 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.

### 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.

## 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

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.

## 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.

## 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.

## 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.

## International Accounting Standards (IAS) and International Financial Reporting Standard (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.

## 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.

## Impairment

A reduction in the value of a fixed 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

## 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.

## 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

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-operational Assets

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. There are three categories of non-operational assets; investment properties; assets that are surplus to requirements and assets under construction. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it should be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arms length.

## Operating Leases

A lease other than a finance lease.

## Operational Assets

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

## Past Service Cost

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.

## Precept

Hertfordshire County Council and Hertfordshire Police Crime Commissioner, who do not administer the council tax system, both levy an amount on the Council, who collects the required income on their behalf, to finance their expenditure.

## 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.

## 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 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

Comprises Actuarial Gains and Losses and Return on Plan Assets.

### Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### 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.

### Return on Plan Assets

A measure of the return (income from dividends, interest, etc, and gains on invested sums) on the investment assets held by the scheme for the year

### 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

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.

### Settlement

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.

### Useful Life

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