



Statement of Accounts 2015/16



**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.

Narrative Report of the Director (Finance & Operations) Financial Year ended 31st March 2016

Dear Reader,

I am pleased to present the Welwyn Hatfield Borough Council Statement of Accounts for the financial year 2015/16, and I hope you will find them of interest.

Given that the Council continues to operate in challenging financial times, it is pleasing to report that the Council's financial standing remains strong, with sound financial management practices and controls.

We continue to produce our accounts earlier each year in preparation for the new statutory deadline that will be in place for the 2017/18 financial year. By doing this the Council is able to report to all its stakeholders at the earliest opportunity and then focus on the financial challenges and strategies for future years.

My narrative report this year is expanded to include some additional information. It continues to include the financial statements with an overall explanation of the Council's financial position both during 2015/16 and into 2016/17 and information about the operation of the Council and the major influences affecting the accounts. In addition it covers information on service and financial performance over the financial year ending 31st March 2016, risks and community engagement. All this information is given with the aim of providing all stakeholders and interested parties assurance as to the Council's sound financial standing and that public money been properly accounted for.

The narrative report is presented under the following headings:

1. About Welwyn Hatfield
2. About Welwyn Hatfield Borough Council
3. Our Vision
4. Our Priorities
5. How your Council is performing
6. Financial Overview of 2015/16
7. A Summary of the Council's Financial Performance in 2015/16
8. Medium Term Financial Strategy 2016/17 to 2018/19
9. Explanation of the Financial Statements
10. Corporate and Strategic Risks
11. Community Engagement and Feedback
12. Further Information

1. About Welwyn Hatfield

- The borough is located in central Hertfordshire covering an area of approximately 130 square kilometres.
- It contains the two new towns of Hatfield and Welwyn Garden City (WGC) plus eight other large villages and settlements. Around 75 per cent of its population live in the two main towns.
- The estimated population is just over 114,000.
- There is a significant student population with the University of Hertfordshire in Hatfield and two college campuses, Oaklands College in WGC and the Royal Veterinary College in North Mymms.



The borough offers good employment opportunities with 1.07 jobs available for every working age resident.

- Health and quality of life is generally good, with life expectancy recorded at well above the national averages for males and females.
- It is well connected to other towns and cities, including London, by road and rail.

2. About Welwyn Hatfield Borough Council

- We are one of ten borough and district councils in Hertfordshire.
- We provide a wide range of local services for people in the borough.
- We are represented by 48 councillors in 16 wards, directly elected to serve four year terms of office.
- We directly employ over 200 full time equivalent employees.
- We work with and support partners such as the police, parish and town councils and the Welwyn Hatfield Alliance to provide local services.
- Our housing stock and some other community services are managed by Welwyn Hatfield Community Housing Trust.
- We also work with commercial partners who provide local services on our behalf.



3. Our Vision

Our vision sets out what we aim to achieve. It is:

To make Welwyn Hatfield a great place to live, work and study with a vibrant, growing economy.



4. Our Priorities

Our vision is achieved by working with our partners, businesses and residents towards our five key priorities. These are:

1. Maintain a safe and healthy community

- Work with partners to keep people safe
- Help improve and maintain the health and wellbeing of residents
- Provide for a wide variety of leisure covering arts, culture, fitness and sport

2. Protect and enhance the environment

- Keep our streets clean and work with residents to reduce litter
- Improve recycling rates and reduce the amount of waste going to landfill
- Maintain and improve our green spaces
- Deliver effective parking services

3. Meet the borough's housing needs

- Plan for the housing needs of our communities
- Increase the supply of new, affordable homes
- Effectively manage the borough's housing stock

- Allow for sustainable growth that protects our environment and heritage

4. Help build a strong local economy

- Promote the borough as an attractive place in which to invest
- Revitalise our town centres and other shopping areas

5. Engage with our communities and provide value for money

- Deliver value for money
- Provide outstanding customer service
- Ensure fair and open access for our diverse community
- Effectively communicate what we do

Each year we develop and publish an action plan with targets that we use to measure our performance against these priorities.



5. How your council is performing

We have developed five key priorities to reflect local needs and this is what we measure our performance against. We aim to deliver good quality, low cost services and here are just some of our achievements for 2015/16.

More details about the Council's performance and plans can be found on our website: www.welhat.gov.uk/performance



Maintain a safe and healthy community

- Upgraded **15** CCTV cameras and installed new equipment at King George V Playing Fields and Stanborough Park.
- Organised Play Day at Stanborough Park for **8,500** people to enjoy free activities for all the family.
- Delivered new disabled facilities at Gosling Sports Park, Hatfield Swim Centre and Stanborough Park to further promote disability sport.
- Completed over **60** food inspections, **14** revisits and issued **29** hygiene improvement notices.



Protect and enhance the environment

- Investigated **500** cases of fly-tipping, resulting in **100** enforcement actions.
- Planted or replaced around **300** urban street trees.
- Redeveloped **2** play areas in Welwyn Garden City and Hatfield.



Meet the borough's housing needs

- Delivered more than **50** Homes via the Council's affordable Housing Programme, including **17** new homes on former garage sites
- **50** local letting agents joined our landlord accreditation scheme, PAL, ensuring their **1,384** rental properties are competently managed and well maintained.
- Received nearly 6,000 responses to our consultation on the Local Plan, a blue print for growth on the borough.



Help build a strong local economy

- A record **8,500** votes were cast in the Welwyn Garden City Awards, encouraging residents to shop locally.
- Provided food hygiene training sessions to **175** food handlers in local businesses.
- Completed **8** shop makeovers and refits in Hatfield town centre.
- Delivered **16** free events for the community in both town centres.



Engage with our communities and provide value for money

- Developed a balanced budget for the year ahead, delivering a further **£1.1m** of savings, while continuing to protect services and freeze council tax.
- Completed a new-look reception area for both the council and Housing Trust, including self-service PC's to make it easier for customers visiting us.
- Distributed **3** issues of Life magazine to all **47,000** households in the borough

6. Financial Review of 2015/16

The Budget and Council Tax for 2015/16 was set by full Council in February 2015 in the context of the Council's Medium Term Financial Strategy 2015/16 to 2017/18 and the overall Business Plan 2015-2018. The budget set out the detailed financial plans for the authority in its Revenue and Capital budgets for the 2015/16 year.

Welwyn Hatfield Borough Council has frozen its Council Tax since 2010/11, and this means residents have had six financial years with no increase in the Band D equivalent or £196.61. Over the six financial years to and including 2015/16, the delivery of this council tax freeze has been supported through a Council Tax Freeze Grant.

As the Government continues to reduce funding to Local Government, the Council set its budget in order to respond to these financial challenges and each year these challenges get harder to achieve. The focus of the Council in order to achieve these savings has remained on driving out inefficiency whilst also embracing new processes and allowing investment in front line services and, in 2015/16 we have successfully implemented our savings and also contributed to our reserves due to additional income and under spending of £1.65m.

In 2015/16 the Council had a General Fund Budget of £15.51m. The Council Tax requirement for the borough was £7.66m, with a parish precept of £1.50m, giving a total Council Tax requirement of £9.16m. The remaining income comes from government grant and Non-domestic Rates. The budget included general fund savings of £1.65m but growth was required of £1.71m, due to redirected budgets reflecting the amended priorities set in the Sustainable Community Strategy and changing demands on services. The final general fund outturn was £13.53m and we had also received during the year Non-Domestic rates of £0.84m greater than we had anticipated.

In addition the Housing Revenue Account (HRA) Budget was £52.86m with a planned use of balances of £1.99m. The final HRA outturn position was underspent by £3.61m, which increased balances by £1.63m. At 31st March 2016 the Council has £1,000m of Non-Current Assets on its balance sheet, of which £900m relates to the HRA Council Dwellings. The net value of these assets increased by £150m over the year of which £20m was due to capital expenditure and the remainder due to valuation increases.

7. A Summary of the Council's Financial Performance in 2015/16

7.1 Revenue Outturn

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

The outturn for 2015/16 is a contribution to reserves of £1.65m, which compares to an original budgeted drawdown from reserves of £0.01m, and so represents a favourable variance of £1.66m overall.

The below table/chart shows the services budgeted and outturn net expenditure.

Service	Original Budget £000	Actual £000	Variance £000
Head of Law and Admin	1,709	1,433	275
Head of Public Health and Protection	1,533	1,487	47
Director (Governance)	3,242	2,920	322
Head of Resources	470	(15)	486
Head of Environment	6,147	5,523	624
Director (Finance and Operations)	6,617	5,508	1,109
Head of Planning	2,451	2,360	91
Head of Policy and Culture	2,947	3,375	(605)
Head of Housing and Community	2,290	3,393	(927)
Director (Strategy and Development)	7,688	9,128	(1,450)
Chief Executive	826	153	673
Net Operating Expenditure	18,373	17,709	673
Capital Financing and Net Interest Costs	(2,859)	(4,183)	1,324
Total Net Expenditure	15,514	13,526	1,988
Funded by:			
Grant Income	(1,843)	(1,917)	74
Formula Grant	(2,167)	(2,167)	0
Localised NDR	(2,282)	(3,631)	1,349
Council Tax	(9,164)	(9,164)	0
Surplus on the Collection Fund	(1,363)	(855)	(508)
Total Funding	(16,819)	(17,734)	915
Net Outturn	(1,305)	(4,208)	2,903
Parish Precepts	1,502	1,502	0
Net Contribution (from)/to Earmarked Reserves	(186)	1,056	(1,242)
Net (Increase)/Decrease in General Fund Balance	11	(1,650)	1,661

The final outturn variance is a contribution to general fund reserves of £1.65m and exceeds the forecast drawdown of reserves by the same amount. Additional income was generated and less expenditure required than budgeted for the year. The significant variances during the financial year include:

- £0.80m additional income net of expenditure including, estates and garages rents, parking income, and additional refuse subsidy from Hertfordshire County Council
- £0.38m employee expenditure savings, including transfers of salaries to capital projects
- £0.30m savings on supplies and services expenditure
- £0.26m corporate projects expenditure committed and planned to be spent in 2016/17

In addition, there is a £1.1m contribution to earmarked reserves during the year due to £0.8m additional business rates grant funding under section 31 of the Local Government Finance Act 2003, and £0.3m less funding required to fund one off growth items. Of the planned savings of £1.65m, £1.47m was achieved and of the £1.71m growth, £1.04m was spent.

7.2 Housing Revenue Account Outturn

The Council is legally obliged to hold separate accounts for the running of its housing stock. The balance at the end of 2015/16 was £13.90m.

A comparison of actual spending during the year and the original budget is summarised below.

The Housing Revenue Account outturn was £1.62m contribution to balances, compared to a budgeted drawdown of £1.98m.

	Original Budget £000	Actual £000	Variance £000
Income	(52,860)	(52,626)	(234)
Expenditure	8,457	13,056	(4,599)
HRA Share of Corporate Democratic Core	486	486	0
Net Cost of Services	(43,917)	(39,084)	(4,833)
Less Statutory Items Expenditure	45,902	37,458	8,444
Net (Increase)/Decrease in HRA Balance	1,985	(1,626)	3,611

The main reasons for the contribution to balances are as follows:-

- £1.37m reduced expenditure on supervision and management costs and special services costs in the Housing Revenue Account service
- £1.11m reduced contribution to capital programme due to lower funding required in 2015/16 capital budgets rolled into 2016/17.
- £0.85m reduced expenditure on repairs and maintenance costs of the housing stock
- £0.24m reduced bad debt provision required than budgeted, leading to a favourable variance to budget
- £0.14m additional interest income due to higher than anticipated cash balances

7.3 Capital Outturn

The total capital expenditure in the 2015/16 financial year was £23.50m, compared with a budget of £32.34m (after budgets rolled forward), resulting in a favourable underspend of £8.84m.

Service	Original Budget £000	Actual £000	Variance £000
Law and Admin	0	0	0
Public Health and Protection	0	19	(19)
Governance (Directorate)	0	19	(19)
Resources	3,866	4,851	(985)
Environment	295	628	(333)
Finance & Operations Directorate	4,161	5,479	(1,318)
Planning	350	85	265
Policy and Culture	2,035	112	1,923
Housing and Community	25,793	17,806	7,987
Strategy & Development Directorate	28,178	18,003	10,175
Chief Executive	0	0	0
Capital Expenditure Outturn	32,339	23,501	8,838
Funded by:-			
Capital Grants	398	743	(345)
Internal Borrowing	946	2,421	(1,475)
Capital Receipts	6,950	5,533	1,417
Affordable Housing Reserves	12,824	6,047	6,777
Major Repairs Reserve	12,167	11,178	989
Total Funding Received	33,285	25,922	7,363
Transfer from/(to) Capital Reserves and Borrowing	(946)	(2,421)	1,475

The main projects delivered during the year include: -

- £1.64m of expenditure on the Campus East Offices plus £0.362M Council Chamber. This project has converted two courtyards in the Council's office accommodation into extended office space to accommodate the Welwyn Hatfield Community Housing Trust, and a Council Chamber in the same premises to allow for future revenue savings.
- £1.71m of expenditure on the Hatfield Town Centre regeneration projects, including regenerating the arcade and white lion square and flats above the square.
- £6.04m of expenditure on the Affordable Housing Programme. This programme is to maintain the number of housing stock at a level that enables the council to meet its requirements to provide affordable housing.
- £11.18m of capital expenditure on the Housing stock including renovations, aids and adaptations, and utility replacement schemes.

7.4 Balance Sheet

The Council has maintained a very strong balance sheet, with £1,022.44m of Non-Current Assets as at 31st March 2016 and current assets of £54.88m, current liabilities of £30.24m, and long term liabilities of £299.18m, including HRA self-financing borrowing of £265.40m and pension liabilities of £43.05m. Furthermore, the Council has usable reserves of £60.20m.

	As at 31 March 2016 £000	As at 31 March 2015 £000
Non-current Assets	1,022,434	863,842
Current Assets	54,886	61,172
Current Liabilities	(30,244)	(33,697)
Long Term Liabilities	(299,176)	(318,896)
Net Assets	747,900	572,421
Represented by		
Usable Reserves	60,207	55,833
Unusable Reserves	687,693	516,587

The key movements during the year relate to valuation increases on the HRA Council Dwelling assets. There was an increase in the estimated value of our Housing stock as at 1st April 2015 by £159m.

Since the transition to HRA self-financing, implemented on 1st April 2012, the HRA has now reduced its Public Works Loan Board debt from £305m to £265m as at 31st March 2016.

The Pension deficit has reduced by £6.37m during the financial year.

7.5 Pensions Liability

This year the pension fund deficit has reduced from £49.42m to £43.05m during the year. The decreased deficit is mainly due to £7.00m in actuarial gains arising in the change in financial assumptions, mostly related to the increased discount rate. In addition the authority has made contributions to the fund of £0.89m towards the ongoing liability.

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

The Triennial pension valuation took place in March 2016. The impact of this will be known by September 2016, and will be reviewed in light of the budget setting processes ahead of the 2017/18 financial year.

7.8 Borrowing and Capital Financing

The Authority currently has £265m borrowing outstanding relating to the Self Financing Transfer of HRA Housing Stock debt that transferred on 1st April 2012. There is scope for borrowing up to the limit of £305m. There has been no borrowing entered into or redeemed early during 2015/16.

The Capital Programme for 2016/17 to 2020/21 has been agreed by Council on the 7th March 2016. This outlined the capital expenditure planned of £29.97m for 2016/17 and £83.35m for the following four years.

7.9 Provisions, contingent liabilities and assets.

Changes include adjustments an additional provision of £0.16m for NNDR appeals, based on the appeals lodged with the Valuation Office as at 31 March 2016.

7.10 Significant changes in accounting policies

The accounts for 2015/16 are presented in accordance with the Code of Practice on Local authority Accounting in the United Kingdom (the Code) which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and the transactions of a local authority.

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

The 2015/16 Code incorporates a number of accounting standard amendments. IFRS 13 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 asset and investment property is now required to be valued at 'best' use taking into account the condition and location of the assets and any restriction on the sale of the asset.

This has been applied prospectively from 1st April 2015 to all surplus and investment assets. There were a small number of other amendments in the annual improvements of the International Financial Reporting Standards Cycle 2011-13. These have not had a material impact on these accounts.

7.11 Economic Climate

Since 2010 the Council has identified approximately £11m of efficiency savings to meet budget gaps caused by the reduction in funding received from Central Government. There are a number of changes pending to local government funding that will impact the Council's finances over time.

These include:

- New Homes Bonus. Consultation has occurred and we are anticipating a decision regarding the changes to that funding stream during the 2016/17 financial year. This income in 2015/16 equated to £1.73m.
- Government has proposed that by 2020 local government will retain 100% of business rates revenue to fund local services. At this time there are three main elements being considered in the scope of the review. The outcome of the review could have a significant impact to the funding of the Council.

7.12 Events after the Reporting Date

Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating. The Council manages its investments following a clear Treasury Strategy. Section 14 of the notes to the accounts which deals with Financial Instruments clearly highlights how well the authority is protected against currency fluctuations in the short to medium term. There is likely to be an impact on our investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

7.13 Collection Fund Rates for Council Tax and National-Non Domestic Rates

The collection rates achieved during 2015/16 were higher than budgeted as summarised below:-

Collection Rate 2015/16	Budget	Actual
Council Tax	97.70%	98.08%
NNDR	99.10%	99.29%

7.14 Non-Current Asset Revaluation

The Council appointed Carter Jonas LLP to carry out a desk top valuation of a proportion of the General Fund assets in 2015/16.

The District Valuer was appointed to carry out a full valuation of the Housing Revenue Account's housing stock as at 1st April 2016, including an assessment of significant components. The impact of these valuations is reported within the notes to these accounts.

8. Medium Term Financial Strategy 2016/17 – 2018/19

The Medium Term Financial Strategy (MTFS) for 2016/17 to 2018/19 was agreed by full Council in February 2016. This strategy sets out how the Council plans to transition from the government funding it has been receiving to the reduced levels expected as a result of the Finance Settlement.

The MTFS sets out the Council's strategy for maintaining financial stability and a commitment to provide the best possible value for money for the community.

The council is in a strong financial position with revenue reserves of £8.3m at the end of 2015/16, £1.1m higher than expected when the MTFS was agreed in February 2016, and a HRA Balance of £13.9m. This is a direct result of robust financial management. However, in line with other local authorities, the Council is facing a continued period of severe financial constraints over the medium term as the reductions of central government grant persist.

The Council is required to find a further £3.3m of savings on the general fund by 2018/19 in order to live within its means and maintain a reasonable cushion in reserves. This is a significant challenge and whilst the focus remains on safeguarding services it will not be possible to find efficiencies of this magnitude and guarantee no impact upon frontline services. The budget for 2016/17 includes the identification of £1.1million of efficiencies towards the target of £3.3million.

The current healthy general fund reserve balance provides an opportunity for some longer term planning and delivery of significant transformational projects to help deliver the savings target. Initial estimates suggest an ongoing £1.5m of savings can be found from the projects already identified. Working in this planned way should reduce the need for hasty cuts to services in order to balance the budget over the medium term.

Despite the challenging environment, the Council seeks to maintain a low Council Tax by reducing costs, sharing good practice, simplifying delivery processes and shrinking the Council's administration cost. However, it is possible that the proposed changes in the local government finance system could have a detrimental impact on the ability of the Council to maintain council tax at the current level.

The government's announced rent reduction programme and other housing related government policy proposals do create challenges for the sustainability of the HRA over the medium term. A savings programme is being developed to offset the direct reduction in rents but further changes will be required to meet the current debt repayment schedule.

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

9. Explanation of the 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. 31st 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.

10. Corporate and Strategic Risks

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

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

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

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

Risk Description	Mitigations
Effective communication with the community.	Communications plans are in place, and we have a skilled communications team. Customer surveys and consultations are regularly carried out.
Delivering services in the event of a disruption, or responding to an emergency affecting the borough.	Business continuity, disaster recovery and emergency plans are in place and reviewed regularly. Staff are trained for their roles and the council has a dedicated resilience function.
Engaging with stakeholders and residents to set council priorities.	There is a programme of community engagement activities and customer surveys, including our Borough Panel and the Local Strategic Partnership.
Council finances may come under further pressure from increased demands on services, reduced government funding and potentially insufficient reserves.	We exercise sound budgetary control at all levels and have a robust set of policies, procedures, regulations and internal controls to ensure effective management is exercised.
Maintaining robust governance arrangements, including anti-fraud and corruption, whistleblowing, standards and ethics and risk management.	The Constitution and associated policies, procedures and codes of conduct define our governance framework. We have robust overview, scrutiny and standards arrangements and dedicated officers in respect of Freedom of information and data Protection.
Having a Local Plan that sets out an approved strategy to deliver sustainable growth, and which balances the demand for development with protection of the environment.	The Local Plan is underpinned by extensive evidence and there are arrangements for public scrutiny and a public examination by an independent Planning Inspector.
Effectively managing the performance of the council's activities.	Performance management permeates all levels of the organisation. Quarterly performance clinics are held to enable proper scrutiny of performance and these are reported to Cabinet. All employees have their own performance managed through an appraisal process.
Council projects need to be managed in terms of deadlines, budgets, resources and the resolution of complex unforeseen issues.	Procurement is in accordance with our own Contract Procedure Rules. Projects are delivered using appropriately skilled and experienced teams, and good governance is exercised.

11. Community Engagement and Feedback

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

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

12. Further Information

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

Pam Kettle CPFA
Director (Finance & Operations)
25th July 2016

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 2015/16	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
Balance at 1 April 2015	6,319	1,138	12,275	3,694	845	31,562	55,833	516,587	572,421
Surplus or (deficit) on the provision of services (accounting basis)	(5,623)	-	32,559	-	-	-	26,936	-	26,936
Other comprehensive income and expenditure	-	-	-	-	-	-	-	148,543	148,543
Total comprehensive income and expenditure	(5,623)	-	32,559	-	-	-	26,936	148,543	175,479
Adjustments between accounting basis and funding basis under regulations	7 8,329	-	(30,933)	(225)	(138)	405	(22,562)	22,562	-
Net increase/ decrease before transfers to earmarked reserves	2,706	-	1,626	(225)	(138)	405	4,374	171,105	175,479
Transfers to/ from earmarked reserves	8 (1,055)	1,055	-	-	-	-	-	-	-
Increase/(decrease) in 2015/16	1,651	1,055	1,626	(225)	(138)	405	4,374	171,105	175,479
Balance at 31 March 2016	7,970	2,193	13,901	3,469	707	31,967	60,207	687,692	747,900
Purpose analysis									
Capital	-	-	-	3,469	707	31,967	36,143	729,832	765,975
Revenue	7,970	2,193	13,901	-	-	-	24,064	(42,139)	(18,075)
Balance at 31 March 2016	7,970	2,193	13,901	3,469	707	31,967	60,207	687,693	747,900

Movement in Reserves Statement

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
Balance at 1 April 2015	5,490	1,007	11,270	2,457	1,059	25,550	46,833	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
Total comprehensive income and expenditure	(2,944)	-	35,153	-	-	-	32,209	48,334	80,543
Adjustments between accounting basis and funding basis under regulations	7 3,904	-	(34,148)	1,237	(214)	6,012	(23,209)	23,209	-
Net increase/ decrease before transfers to earmarked reserves	960	-	1,005	1,237	(214)	6,012	9,000	71,543	80,543
Transfers to/ from earmarked reserves	8 (131)	131	-	-	-	-	-	-	-
Increase/(decrease) in 2014/15	829	131	1,005	1,237	(214)	6,012	9,000	71,543	80,543
Balance at 31 March 2015	6,319	1,138	12,275	3,694	845	31,562	55,833	516,585	572,420
Purpose analysis									
Capital	-	-	-	3,694	845	31,562	36,101	564,400	600,503
Revenue	6,319	1,138	12,275	-	-	-	19,732	(47,813)	(28,082)
Balance at 31 March 2015	6,319	1,138	12,275	3,694	845	31,562	55,833	516,587	572,421

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.

		2015/16		2014/15	
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Central services to the public		2,395	(1,277)	1,118	1,227
Cultural and Related Services		6,936	(2,628)	4,308	3,714
Environmental and Regulatory Services		9,097	(2,002)	7,096	7,020
Planning Services		5,527	(5,819)	(292)	0
Highways and transport services		1,961	(1,898)	64	(77)
Housing general fund services		44,904	(40,728)	4,177	2,050
Housing HRA services		13,080	(52,651)	(39,571)	(42,244)
Adult social care		389	(81)	308	852
Corporate and democratic core		2,414	(20)	2,394	2,163
Non distributed costs		(101)	-	(101)	142
Cost of services		86,603	(107,103)	(20,499)	(25,154)
Other operating expenditure	9			5,135	3,188
Financing and investment income and expenditure	10			6,789	7,978
Taxation and non-specific grant income and expenditure	11			(18,361)	(18,221)
(Surplus) or deficit on provision of services				(26,936)	(32,209)
(Surplus) or deficit on revaluation of Property, plant and equipment assets	19.1			(141,169)	(49,854)
(Surplus) or deficit on revaluation of available-for-sale financial assets	19.5			304	-
Remeasurement of the net defined benefit liability	33.2			(7,678)	1,520
Other comprehensive income and expenditure				(148,543)	(48,334)
Total comprehensive income and expenditure				(175,479)	(80,543)

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. 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 2016 £000	31 March 2015 £000
Property, plant and equipment	12	1,000,758	845,738
Heritage Assets		73	77
Investment properties	13	6,729	6,345
Intangible assets		388	322
Long-term investments		4,250	4,250
Long-term investments: available for sale		5,737	3,071
Long-term debtors	15	4,499	4,039
Long-term assets		1,022,434	863,842
Short-term investments	14.1	9,012	20,039
Short-term investments: available for sale	14.1	14,200	8,022
Inventories		41	49
Short-term debtors	15	8,254	7,585
Cash and cash equivalents	16	23,379	25,477
Current assets		54,886	61,172
Borrowing repayable with one year	14.1	(13,500)	(11,750)
Short-term creditors	17	(16,744)	(21,947)
Current liabilities		(30,244)	(33,697)
Provisions	18	(1,743)	(1,365)
Long-term borrowing - HRA Loan	14.1	(251,899)	(265,399)
Other long-term liabilities	14.1 & 33.3	(45,154)	(51,752)
Capital Grants Received in Advance	28	(380)	(380)
Long term liabilities		(299,176)	(318,896)
Net assets		747,900	572,421
General fund balance		7,970	6,319
Housing revenue account		13,901	12,275
Usable capital receipts reserve		31,967	31,562
Capital grants unapplied		707	845
Earmarked reserves	8	2,193	1,138
Housing major repairs reserve		3,469	3,694
Usable reserves		60,207	55,833
Revaluation reserve		254,223	115,711
Capital adjustments account		471,664	445,485
Deferred capital receipts		3,945	3,204
Accumulated Compensation Absence and Employment Reserve		(114)	(112)
Available for Sale Financial Instruments Reserve		(303)	-
Collection fund adjustment account		1,330	1,721
Pensions reserve		(43,051)	(49,422)
Unusable reserves	19	687,693	516,587
Total reserves		747,900	572,421

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	2015/16 £000	2014/15 £000
Net surplus or (deficit) on the provision of services		26,936	32,209
Adjust net surplus or deficit on the provision of services for noncash movements		4,657	11,262
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(10,932)	(17,848)
Net cash flows from operating activities		20,661	25,623
Investing activities	21	(8,379)	(14,419)
Financing activities	22	(14,380)	(5,388)
Net increase or decrease in cash and cash equivalents		(2,098)	5,816
Cash and cash equivalents at the beginning of the reporting period		25,477	19,661
Cash and cash equivalents at the end of the reporting period	16	23,379	25,477

Notes to the Accounts

1. Accounting Policies

i. General principles

The Statement of Accounts summarises the Council's financial transactions for the 2015/16 financial year and its position at the year end of 31st March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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.

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 3.4% at 31 March 2016 (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 2015 the discount rate was 3.1%.

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
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

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 techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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. Joint Operations

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

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

i. 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.)

ii. 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 2015/16 (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.

iii. 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: surplus assets are included in the balance sheet at fair value, determined using the amount that would be paid for the asset in its 'best use'.
- Property: other land and buildings are included in the balance sheet at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- 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, after which we have started a rolling programme where approximately 20% of assets each year. The last full valuation for housing revenue account assets was April 2015.

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.

Fair Value

Investment assets and surplus assets (including assets held for sale) are held at fair value at the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The transaction is assumed to take place either:

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

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

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

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

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.

iv. 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.

v. 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.

vi. 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.

vii. 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.

viii. 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.

ix. Fair value

Investment assets, surplus assets (including assets held for sale) and some financial instruments are held at fair value at the reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The transaction is assumed to take place either:

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

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

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

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

x. 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 2016/17 Code of Practice and are applicable from 1 April 2016.

Annual Improvements to IFRSs 2010 – 2012 Cycle

IFRS 3: Business combinations – accounting for a contingent consideration in a business combination

Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

IFRS 8: Operating Segments - Aggregation of operating segments

Requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.

IFRS 8: Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

Clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

IFRS 13 Fair Value Measurement - Short-term receivables and payables

Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

IAS 16 Property, Plant and Equipment - Revaluation method—proportionate restatement of accumulated depreciation

Clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 24 Related Party Disclosures - Key management personnel

Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

IAS 38 Intangible Assets - Revaluation method—proportionate restatement of accumulated amortisation

Clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

This amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.

Accordingly, a joint operator that is an acquirer of such an interest has to:

- measure most identifiable assets and liabilities at fair value;
- expense acquisition-related costs (other than debt or equity issuance costs);
- recognise deferred taxes;
- recognising any goodwill or bargain purchase gain;
- perform impairment tests for the cash generating units to which goodwill has been allocated;
- disclose information required relevant for business combinations.

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

Guidance is introduced into both standards to explain that expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset.

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

- **Materiality.** The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- **Balance sheet and comprehensive income and expenditure statement.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes.** The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

The amendments to accounting standards are not anticipated to have a material impact on the Financial Statements in future years.

Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis will also be required in the 2016/17 accounts.

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

Notes to the core financial statements

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase by £3m for every year that useful lives had to be reduced.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>Pension fund defined liabilities are provided by the Hertfordshire County Council actuary, and are based on significant estimates that are likely to prove to be materially different, but they represent the best estimate as at 31 March 2016.</p>	<p>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% (£12.565m). During 2015/16 the Authority's actuaries advised that the net pension liability had decreased by £6.371m. This was due to a number of partially offsetting changes in the assumptions.</p>
Arrears	<p>At 31 March 2016, the Authority had an outstanding balance of short term debtors of £8.3m. A review of significant debt types has led to an updated impairment allowance of debts of £2.7m. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The allowance held is based on policies adapted to the nature of the debt and service area. If collection rates were to deteriorate by 5%, the impairment allowance for doubtful debts would require an additional £0.2m to be set aside and the Authority would need to review its policies on the calculation of the allowance.</p>
NNDR Gain on Pool	<p>At 31 March 2016, the Authority has a creditor for a levy based on the growth of Business Rates above baseline of £0.6m. The Authority was in an NNDR Pool for the 2015/16 financial year and is expected to make a gain from the pool of £0.4m</p>	<p>The Authority holds a reserve to mitigate the risk of any actual result of the gain on the pool against the assumption.</p>
NNDR Appeals Provision	<p>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 2016. A provision based on best available information including Valuation Office (VAO) ratings list of appeals, and an analysis of successful appeals to date has been recognised for this liability of £1.3m.</p>	<p>The Council's liability in this matter is limited to 7.5% of its baseline funding level or £0.2m. The Council holds a reserve to mitigate this risk.</p>

Notes to the core financial statements

<p>Fair Value Measurements</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 13 and 14 below.</p>	<p>The authority uses the Investment method and the Discounted Cash Flow method to measure the fair value of its investment properties, financial assets and financial liabilities.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for investment properties, financial assets and liabilities)</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties, financial assets and liabilities.</p> <p>If there was a change of 1% in the fair value of £0.002m in financial assets, a £0.039m change in financial liabilities and £0.067m change in the Investment Property valuation.</p>
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5. Material items of income and expense

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

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

Category	Description	Comment
Housing Services	Housing and Council Tax benefits	The Authority paid a total of £40.4 million Housing Benefit payments in 2015/16 (£38.5 million in 2014/15). This was funded by a grant subsidy from the Department for Work and Pensions of £39.8 million (£37.8 million in 2014/15).
	Contract payments	The Authority paid a total of £13.2 million to Mears for housing maintenance & disabled facility grants in 2015/16 (£12.6 million in 2014/15)
Environmental services	Contract payments	The Authority paid a total of £4.9 million to Serco for grounds maintenance, street cleansing, recycling and refuse collection in 2015/16 (£5.1 million in 2014/15)

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director (Finance & Operations) on 27th May 2016. 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 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustment between accounting basis and funding basis under regulations

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

2015/16	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Housing Major Repairs Reserves	Capital Grants Unapplied	Capital Receipts Reserve
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
„Pensions costs (transferred to (or from) the Pensions Reserve)	1,306				
Council tax and NDR (transfers to or from Collection Fund)	391				
Holiday pay (transferred to the Accumulated Absences Reserve)	3				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	4,821	3,065			
Total Adjustments to Revenue Resources	6,521	3,065	-	-	-
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,054)	(9,482)			10,536
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	2	208			(210)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	3,215				(3,215)
Posting of HRA resources from revenue to the Major Repairs Reserve	-				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(242)	(11,750)			345
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(86)	(2,021)			
Total Adjustments between Revenue and Capital Resources	1,835	(23,045)	-	-	7,456
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure					(7,051)
Use of the Major Repairs Reserve to finance capital expenditure		(10,953)	(225)		
Application of capital grants to finance capital expenditure	(27)			(138)	
Total Adjustments to Capital Resources	(27)	(10,953)	(225)	(138)	(7,051)
Total Adjustments	8,329	(30,933)	(225)	(138)	405

Notes to the core financial statements

2014/15	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Housing Major Repairs Reserves	Capital Grants Unapplied	Capital Receipts Reserve
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
„Pensions costs (transferred to (or from) the Pensions Reserve)	1,281				
Council tax and NDR (transfers to or from Collection Fund)	(1,492)				
Holiday pay (transferred to the Accumulated Absences Reserve)	(24)				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	9,394	141			
Total Adjustments to Revenue Resources	9,159	141	-	-	-
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(299)	(10,901)			11,200
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	190			(190)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,468				(1,468)
Posting of HRA resources from revenue to the Major Repairs Reserve	-				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(58)	(9,950)			
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	(2,843)			
Total Adjustments between Revenue and Capital Resources	1,111	(23,504)	-	-	9,542
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure					(3,530)
Use of the Major Repairs Reserve to finance capital expenditure		(10,775)	1,237		
Application of capital grants to finance capital expenditure	(6,366)	(10)		(214)	
Cash payments in relation to deferred capital receipts					
Total Adjustments to Capital Resources	(6,366)	(10,785)	1,237	(214)	(3,530)
Total Adjustments	3,904	(34,148)	1,237	(214)	6,012

8. Transfers to / from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15.

Reserve	Balance at 1 April 2014 £000	Net movement in year £000	Balance at 31 March 2015 £000	Net movement in year £000	Balance at 31 March 2016 £000	Purpose of reserve
Strategic Reserves						
Strategic initiatives	1,097	(255)	842	126	968	For use on one-off specific general fund projects across the range of services.
Subtotal	1,097	(255)	842	126	968	
Ring-fenced						
Building control Resources	(252)	21	(231)	-	(231)	Ring-fenced for building control service
Resources	-	261	261	842	1,103	To manage volatility in business rates income
Other Reserves	162	105	267	86	353	Various reserves
Subtotal	(90)	386	296	928	1,225	
Total	1,007	131	1,138	1,055	2,193	

9. Other operating expenditure

	2015/16 £000	2014/15 £000
Parish Council Precepts	1,611	1,579
Payments to the Government's Housing Capital Receipts Pool	3,215	1,468
(Gains)/losses on disposal of non-current assets	309	141
Total	5,135	3,188

10. Financing and investment income and expenditure

	2015/16 £000	2014/15 £000
Interest payable and similar charges	6,751	6,849
Net interest on the net defined benefit liability	1,528	1,896
Interest receivable and similar income	(613)	(524)
Income and expenditure in relation to investment properties and changes in their fair value	(877)	(243)
Total	6,789	7,978

11. Taxation and non-specific grant income and expenditure

	2015/16	2014/15
	£000	£000
Council tax income	9,498	9,179
Non domestic rates income	23,201	23,024
Non domestic rates tariff payable to Central Government	(19,746)	(19,377)
Non domestic rates levy to Central Government	(206)	(723)
Revenue Support Grant	2,167	2,995
Business Rates related Grants	513	447
Council Tax Freeze Grant	85	83
New Homes Bonus Grant	1,735	1,370
New Burdens Grant	155	240
Council Tax Flood Relief Grant	-	7
Individual Electoral Registration Grant	51	67
Capital grants, contributions and other items	908	908
Total	18,361	18,221

12. Property Plant and Equipment

Movements on Balances in 2015/16

	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
Cost or valuation							
At 1 April 2015	750,901	87,579	11,686	5,449	1,862	4,429	861,906
Additions	15,730	3,233	433	560	170	1,352	21,478
Disposals	(10,455)	(80)	-	-	-	-	(10,535)
Reclassifications		1,639		32		(1,950)	(280)
Write out of depreciation on revaluation	(10,710)	(200)					(10,910)
Revaluation gains/(losses)	159,008	(773)					158,235
At 31 March 2016	904,474	91,398	12,119	6,041	2,032	3,830	1,019,894
Depreciation and impairments							
At 1 April 2015	-	(1,593)	(9,215)	(3,712)	(1,648)		(16,168)
Charge for the year	(10,945)	(2,072)	(875)	(222)	(6)		(14,119)
Disposals	235	5	-	-	-		240
Reclassifications	-	14	-	(2)	-	(12)	-
Write out of depreciation on Revaluation	10,710	200					10,910
At 31 March 2016	-	(3,445)	(10,090)	(3,936)	(1,654)	(12)	(19,138)
Balance sheet amount at 31 March 2016	904,474	87,953	2,029	2,105	378	3,818	1,000,756
Balance sheet amount at 1 April 2015	750,901	85,986	2,472	1,737	214	4,429	845,739
Nature of asset holding							
Owned	904,475	85,985	2,029	2,105	378	3,545	998,516
Finance lease	-	1,968	-	-	-	273	2,242
	904,475	87,953	2,029	2,105	378	3,818	1,000,758

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
Cost or valuation							
At 1 April 2014	689,552	77,504	12,049	5,243	1,862	2,765	788,975
Additions	13,929	8,740	316	206		2,399	25,590
Disposals	(11,079)	(84)	(679)				(11,842)
Reclassifications							-
Write out of depreciation on revaluation	(10,013)	(322)					(10,335)
Revaluation gains/(losses)	68,512	1,741				(735)	69,518
At 31 March 2015	750,901	87,579	11,686	5,449	1,862	4,429	861,906
Depreciation and impairments							
At 1 April 2014		(175)	(8,916)	(3,559)	(1,642)	(19)	(14,311)
Charge for the year	(10,247)	(1,724)	(977)	(153)	(6)		(13,107)
Disposals	234	2	679				915
Reclassifications		(19)					(19)
Write out of depreciation on Revaluation	10,013	322					10,335
At 31 March 2015	-	(1,594)	(9,214)	(3,712)	(1,648)	(19)	(16,187)
Balance sheet amount at 31 March 2015	750,901	85,986	2,472	1,737	214	4,429	845,739
Balance sheet amount at 1 April 2014	689,552	77,504	12,049	5,243	1,862	2,765	788,975
Nature of asset holding							
Owned	750,901	83,830	2,471	1,737	214	4,429	843,582
Finance lease	-	2,156	-	-	-	-	2,156
	750,901	85,986	2,472	1,737	214	4,429	845,739

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 was budgeted to cost £1.8m and is for the Campus East Extension. There are no similar commitments at 31 March 2016.

Revaluation

The Authority conducts a five year valuation of HRA assets. The HRA assets were re-valued on the 1 April 2016. 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	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at depreciated historical cost	-	-	2,029	2,105	378	3,818	8,330
Valued at current value in:							
2015/16 (1st April 2016)	904,475	87,953	-	-	-	-	992,427
2014/15 (1st April 2015)	750,901	85,986	-	-	-	-	836,887
2013/14 (1st April 2014)	689,552	77,329	-	-	-	-	766,881
2012/13 (1st April 2013)	673,188	78,037	-	-	-	-	751,225
2011/12 (1st April 2012)	670,234	65,828	-	-	-	-	736,062

13. 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.

	2015/16 £000	2014/15 £000
Rental income from investment property	624	333
Direct operating expenses arising from investment property	(1)	(3)
Net gain/(loss)	623	330

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.

	2015/16 £000	2014/15 £000
Balance at start of the year	6,345	6,420
Net gains/losses from fair value adjustment	505	135
Disposals	(121)	(210)
Balance at end of the year	6,729	6,345

13.1. Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 and 2015 are as follows

	Fair value as at 31 March 2016 £000	Fair value as at 31 March 2015 £000
Recurring fair value measurements using:		
Commercial units	6,729	6,345
Other significant observable inputs (Level 2)£000		

13.2. Transfers between Levels of the Fair Value Hierarchy

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

13.3. Valuation Techniques used to Determine Level for Investment Properties Significant Observable Inputs – Level 2

The fair value for the investment properties (at market rents) has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

13.4. Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

13.5. Valuation Techniques

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

13.6. Valuation Process for Investment Properties

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

14. Financial instruments

14.1. Categories of financial instruments

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

Financial Assets	Long term		Current	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
	£000	£000	£000	£000
<u>Loans and receivables:</u>				
Principal at amortised cost	4,185	4,185	9,000	20,000
Accrued interest	65	65	12	39
<u>Available for sale investments:</u>				
Principal at amortised cost	5,689	3,060	14,162	8,006
Accrued interest	48	11	38	16
Total investments	9,987	7,321	23,212	28,061
Cash (including bank accounts)			647	458
Cash equivalents at amortised cost			22,733	25,019
Accrued interest			17	10
Total cash and cash equivalents			23,397	25,487
Trade receivables	655	935	5,941	3,758
Total debtors	655	935	5,941	3,758

Financial Liabilities	Long term		Current	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
	£000	£000	£000	£000
<u>Loans at amortised cost:</u>				
Financial liabilities at amortised cost	-	227	-	-
Long Term Borrowing - HRA Loan	251,899	265,399	13,500	11,750
Total borrowing	251,899	265,626	13,500	11,750
<u>Liabilities at amortised cost:</u>				
Trade payables	-	-	8,012	11,509
Finance lease liabilities	2,103	2,103	-	-
Total creditors	2,103	2,103	8,012	11,509

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

14.2. 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:

2015/16	Financial liabilities	Financial assets		Total
	Amortised cost	Loans and receivables	Available for sale	
	£000	£000	£000	
Interest expense	6,751	-	-	6,751
Total expense in surplus or deficit on provision of services	6,751	-	-	6,751
Interest income	-	(613)	-	(613)
Total income in surplus or deficit on provision of services	-	(613)	-	(613)
Gains/(losses) on revaluation	-	-	(303)	(303)
Impact in other comprehensive income	-	-	(303)	(303)
Net gain/(loss) for the year	6,751	(613)	(303)	5,835

2014/15	Financial liabilities	Financial assets		Total
	Amortised cost	Loans and receivables	Available for sale	
	£000	£000	£000	
Interest expense	6,849	-	-	6,849
Total expense in surplus or deficit on provision of services	6,849	-	-	6,849
Interest income	-	(524)	-	(524)
Total income in surplus or deficit on provision of services	-	(524)	-	(524)
Net gain/(loss) for the year	6,849	(524)	-	6,325

14.3. Fair value of assets and liabilities

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March using the following methods and assumptions:

- Certificates of deposit have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

Notes to the core financial statements

- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows at the appropriate AA rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short term instruments, including trade payables and receivables is assumed to be approximate to the carrying amount.

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

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

	Fair Value Level	31 March 2016		31 March 2015	
		Balance sheet £000	Fair value £000	Balance sheet £000	Fair value £000
<u>Fair value approximate to carrying amount:</u>					
Trade payables	n/a	16,744	16,744	11,509	11,509
<u>Financial liabilities held at amortised cost:</u>					
Short Term Borrowing (PWLB) - HRA Loan	2	13,500	13,570	11,750	11,750
Long Term Borrowing (PWLB) - HRA Loan	2	251,899	264,596	265,399	272,484
Lease payables	3	2,103	3,910	2,103	3,910
Total financial liabilities		284,246	298,820	290,761	299,653
<u>Fair value approximate to carrying amount:</u>					
Trade receivables	n/a	8,254	8,254	3,758	3,758
Long term debtors	n/a	4,499	4,499	935	935
<u>Financial assets held at fair value:</u>					
Money market and cash plus funds	1	11,003	11,019	3,000	3,000
Property funds	1	4,048	3,740	-	-
Corporate and covered bonds	2	6,265	6,260	8,093	8,093
Certificates of deposit (CDs)	2	6,928	6,922	-	-
<u>Financial assets held at amortised cost:</u>					
Short term deposits	n/a	23,759	23,762	20,000	20,000
Long term loans to local authorities	2	4,060	4,223	4,185	4,416
Long term loans to housing associations	2	190	203	-	-
Lease receivables	3	101	178	101	178
Total loans and receivables		69,107	69,060	40,072	40,380

Nature and Extent of Risk Arising From Financial Instruments

14.4. 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 2015/16

- 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.

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.

14.5. 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.

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3m 5 years	£4m 20 years	£4m 50 years	£3m 20 years	£3m 20 years
AA+	£3m 5 years	£4m 10 years	£4m 25 years	£3m 10 years	£3m 10 years
AA	£3m 4 years	£4m 5 years	£4m 15 years	£3m 5 years	£3m 10 years
AA-	£3m* 3 years	£4m 4 years	£4m 10 years	£3m 4 years	£3m 10 years
A+	£3m 2 years	£4m 3 years	£4m 5 years	£3m 3 years	£3m 5 years
A	£3m 13 months	£4m 2 years	£4m 5 years	£3m 2 years	£3m 5 years
A-	£3m 6 months	£4m 13 months	£3m 5 years	£3m 13 months	£3m 5 years
BBB+	£2m 100 days	£3m 6 months	£2m 2 years	£2m 6 months	£2m 2 years
None	£1m 6 months	n/a	£3m 25 years	n/a	£3m 5 years
Pooled funds	£4m per fund				

**HSBC £4m

Notes to the core financial statements

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 2016 that this was likely to materialise.

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

Credit Rating	Long Term		Short Term	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	£000s	£000s	£000s	£000s
AAA	5,001	1,000	13,077	17,611
AA+	1,000	-	-	-
AA	-	-	-	-
AA-	-	-	11,827	8,408
A+	-	-	-	5,060
A	-	-	11,982	13,006
A-	-	-	3,000	5,000
BBB	-	-	-	-
Unrated local authorities	4,000	4,000	2,000	-
Unrated building societies	-	-	4,000	6,000
Unrated housing associations	185	-	-	-
Unrated pooled funds	-	-	-	-
Total Investments	10,186	5,000	45,886	55,085

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.

14.6. 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 £1.111m 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 2016 £000	31 March 2015 £000
Less than three months	971	1,088
Three months to one year	61	74
More than one year	79	50
Total	1,111	1,212

14.7. 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:

	31 March 2016		31 March 2015	
	Financial Assets £000	Financial Liabilities £000	Financial Assets £000	Financial Liabilities £000
Less than one year	52,485	22,332	34,890	23,259
Over one year	10,642	254,002	5,185	267,729
Total	63,127	276,334	40,075	290,988

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

14.8. Market risk

Interest rate risk

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

- borrowings at 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.

Notes to the core financial statements

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	436
Impact on Surplus or Deficit on the Provision of Services	436
Decrease in fair value of fixed rate investment assets	- 179
Impact on Other Comprehensive Income and Expenditure	- 179
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	- 18,518

Price risk

The Authority does not generally invest in equity shares but does have an investment with a fair value of £3.74m in a property fund. The Authority is consequently exposed to losses arising from movements in the price of the fund.

The £3.74m investment is classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.2m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2015/16.

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.

15. Debtors

An analysis of debtors is shown below:

	Balance at 31 March 2016 £000	Balance at 31 March 2015 £000
Government departments	2,027	1,040
Other local authorities	1,053	728
Other entities and individuals		
- current debtors	7,636	6,990
- long term debtors	4,499	4,039
	15,215	12,797
Provision for impairment of bad debts	(2,659)	(1,438)
Payments in advance	197	265
Total	12,753	11,624

Following a review of allowances for impairment of bad debt we have identified a requirement for an allowance on Housing Benefit overpayments. This has caused an increase in impairment allowances of £890k.

16. Cash and Cash Equivalents

	Balance at 31 March 2016 £000	Balance at 31 March 2015 £000
Bank current accounts and Cash held	12,366	24,477
Short term deposits with building societies	11,013	1,000
Total cash and cash equivalents	23,379	25,477

17. Creditors

An analysis of creditors is shown below:

	Balance at 31 March 2016 £000	Balance at 31 March 2015 £000
Government departments	4,252	9,018
Other local authorities	3,885	4,701
Other entities and individuals		
- current creditors	8,607	8,228
Total	16,744	21,947

In 2015/16 there is a receipt in advance for Building Control receipts received in advance of work carried out by £217k.

18. Provisions

The total value of specific provisions held at 31 March 2016 is:

	Claims provision	NNDR Provision for Appeals	Total
	£000	£000	£000
Balance at 1 April 2015	239	1,126	1,365
Additional provisions made	325	902	1,227
Amounts used	(95)	(743)	(838)
Unused amounts reversed	(11)	-	(11)
Balance at 31 March 2016	458	1,285	1,743

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 2016.

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.

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

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 £62,984 was made in February 2014.

The Scheme requires a review of the Levy rate at least once every 12 months and includes provisions for the rate to be adjusted up or down, as the liability trends evolve. Because of the nature of many of the claims the projections are subject to substantial uncertainty. An additional levy of £42,118 was due to be paid as at 31 March 2016. As the levy has now been imposed twice, we have taken the decision to provide for the full remaining liability as at 31 March 2016. There remains a risk that this will not be sufficient or the remaining liabilities will fall within the range projected. This provision is reviewed annually based on outstanding claims.

As of 31st March 2016 the total amount liable to claw back is £315,890. This issue is likely to run for many years before final resolution is achieved.

Doubtful debts

Provisions for doubtful debts are separately disclosed against debtors on the balance sheet. Information is included in Note 15 Debtors.

19. Unusable Reserves

	Balance at 31 March 2016 £000	Balance at 31 March 2015 £000
Revaluation Reserve	254,223	115,711
Pension Reserve	(43,051)	(49,422)
Capital Adjustment Account	471,664	445,485
Deferred Capital Receipts reserve	3,945	3,204
Collection fund Adjustment Account	1,330	1,721
Accumulated Absence Account and Employment Reserve	(114)	(112)
Available for Sale Reserve	(304)	-
Total unusable reserves	687,693	516,587

19.1. 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.

	2015/16 £000	2014/15 £000
Balance at 1 April	115,711	67,474
Upward Revaluation of assets	141,870	53,439
Downward Revaluation of assets and impairment losses not charged to the surplus deficit on the provision of service	(701)	(3,584)
Difference between fair value depreciation and historic cost	(2,115)	(1,157)
Accumulated gains on assets sold or scrapped	(542)	(312)
Amounts written off to the Capital Adjustment Account	-	(149)
Balance at 31 March	254,223	115,711

19.2. 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

	2015/16	2014/15
	£000	£000
Balance at 1 April	(49,422)	(46,621)
Remeasurement of the net defined benefit liability	7,678	(1,520)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,366)	(3,249)
Employers' pensions contributions	2,059	1,968
Balance at 31 March	(43,051)	(49,422)

19.3. 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

	2015/16	2014/15
	£000	£000
Balance at 1 April	445,485	420,879
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(14,124)	(13,113)
Revaluation gains/losses on Property, Plant and Equipment	17,066	20,354
Amortisation of intangible assets	(114)	(105)
Provision for the repayment of debt	11,750	9,950
Revenue expenditure funded from capital under statute	(1,842)	(5,506)
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	(10,696)	(11,285)
	2,040	295
Adjusting amounts written out of the Revaluation Reserve	2,658	1,617
Net written out amount of the cost of non-current assets consumed in the year	4,698	1,912
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	7,051	4,787
Use of the Major Repairs Reserve to finance new capital expenditure	11,178	9,538
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	577	5,469
Application of grants to capital financing from the Capital Grants Unapplied Account	166	339
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(103)	-
Capital expenditure charged against the General Fund and HRA balances	2,107	2,842
Total capital financing applied in year	20,977	22,975
Movements in the market value of Investment Properties and Assets Held For Sale debited or credited to the Comprehensive Income and Expenditure Statement	505	135
Loan brought onto balance sheet	-	(416)
	21,481	22,694
Balance at 31 March	471,664	445,485

19.4. 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.

	2015/16	2014/15
	£000	£000
Balance at 1 April	1,721	228
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	(391)	1,493
Balance at 31 March	1,330	1,721

19.5. Available for Sale Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2015/16	2014/15
	£000	£000
Balance at 1 April	-	-
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(303)	-
Balance at 31 March	(303)	-

20. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2015/16	2014/15
	£000	£000
Interest received	547	477
Interest paid	(6,761)	(6,861)

21. Cash Flow Statement – Investing Activities

	2015/16 £000	2014/15 £000
Purchase of property, plant and equipment, investment property and intangible assets	(21,535)	(25,484)
Purchase of short term and long term investments	(28,306)	(30,331)
Other payments for investing activities	(45)	(118)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	10,328	12,252
Proceeds from short term investments	30,219	22,080
Other receipts from investing activities	960	7,182
Net cash flows from investing activities	(8,379)	(14,419)

22. Cash Flow Statement – Financing Activities

	2015/16 £000	2014/15 £000
Cash payments for the reduction of outstanding liabilities relating to finance leases	-	(502)
Billing Authorities - Council Tax and NNDR adjustments	(2,402)	5,065
Repayment of long term borrowing	(11,978)	(9,950)
Net cash flows from financing activities	(14,380)	(5,387)

23. 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:

Notes to the core financial statements

Segment reporting

Service Information For the year ended 31 March 2016	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	(492)	(9,469)	(3,348)	(52,451)	(65,760)
Government Grants and Contributions	(189)	(41,412)	(335)	(200)	(42,136)
Total Income	(680)	(50,881)	(3,683)	(52,651)	(107,895)
Employee expenses	3,022	2,906	5,005	93	11,026
Other operating expenses	1,302	54,422	5,569	19,247	80,541
Support service recharges	(575)	(3,105)	(139)	800	(3,019)
Depreciation, amortisation and impairment	4	2,166	2,377	(6,368)	(1,821)
Total Operating Expenses	3,753	56,389	12,812	13,772	86,726
Net Cost of Services	3,073	5,508	9,128	(38,878)	(21,169)

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

Net Cost of Services in Analysis	(21,169)
Gain or (Loss) on HRA disposals & Capital Grants	(205)
Income and expenditure in relation to investment properties and changes in their fair value	877
Cost of Services in Comprehensive Income and Expenditure Statement	(20,498)

Notes to the core financial statements

Reconciliation to Subjective Analysis 2015/16	Service Analysis £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(65,760)	-	(65,760)
Interest and investment income	-	(613)	(613)
Income from council tax	-	(9,498)	(9,498)
Government Grants and Contributions	(42,136)	(8,863)	(50,999)
Total Income	(107,895)	(18,974)	(126,869)
Employee expenses	11,026	-	11,026
Other operating expenses	80,541	-	80,541
Support service recharges	(3,019)	-	(3,019)
Depreciation, amortisation and impairment	(1,821)	-	(1,821)
Interest Payments	-	8,279	8,279
Precepts & Levies	-	1,611	1,611
Payments to Housing Capital Receipts Pool	-	3,215	3,215
Gain or Loss on Disposal of Fixed Assets	-	104	104
Total Operating Expenses	86,726	13,209	99,935
Surplus or Deficit on the provision of services	(21,169)	(5,765)	(26,934)

Service Information For the year ended 31 March 2015	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	(588)	(8,609)	(3,023)	(49,373)	(61,594)
Government Grants and Contributions	(29)	(39,255)	(545)	(658)	(40,488)
Total Income	(618)	(47,864)	(3,568)	(50,031)	(102,082)
Employee expenses	2,824	2,595	4,680	91	10,190
Other operating expenses	1,248	51,387	5,121	8,738	66,494
Support service recharges	(536)	(2,988)	458	10,243	7,178
Depreciation, amortisation and impairment	4	2,807	821	(10,672)	(7,040)
Total Operating Expenses	3,541	53,802	11,079	8,399	76,822
Net Cost of Services	2,925	5,937	7,511	(41,632)	(25,260)

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

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

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	(61,597)	-	(61,597)
Interest and investment income	-	(523)	(523)
Income from council tax	-	(9,179)	(9,179)
Government Grants and Contributions	(40,488)	(9,031)	(49,519)
Total Income	(102,085)	(18,733)	(120,818)
Employee expenses	10,190	-	10,190
Other operating expenses	66,494	-	66,494
Support service recharges	7,178	-	7,178
Depreciation, amortisation and impairment	(7,040)	-	(7,040)
Interest Payments	-	8,745	8,745
Precepts & Levies	-	1,579	1,579
Payments to Housing Capital Receipts Pool	-	1,468	1,468
Gain or Loss on Disposal of Fixed Assets	-	(7)	(7)
Total Operating Expenses	76,822	11,785	88,607
Surplus or Deficit on the provision of services	(25,260)	(6,948)	(32,209)

24. Trading operations

The Council has carried out the following trading operation:

Building Regulations Charging Account	Chargeable	Chargeable
	2015/16	2014/15
	£000	£000
Expenditure		
Employee Expenses	235	222
Other Expenditure	75	88
Total Expenditure	310	309
Income		
Building Regulation Charges	(86)	(330)
Total Income	(86)	(330)
(Surplus)/deficit for year	224	(21)

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

25. Members Allowances

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

	2015/16	2014/15
	£000	£000
Basic allowance	232	233
Special responsibility allowance	100	98
Travelling and subsistence	9	10
Total	341	341

26. Officers remuneration

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

Senior officers' remuneration

Post title	Note	Salary	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000
Chief Executive		125	-	125	21	146
Director (Finance & Operations)		98	-	98	17	115
Director (Governance)		99	-	99	17	116
Total		322	-	322	55	377

Post title		Salary	Compensation for loss of office	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£000	£000	£000	£000	£000
Chief Executive		124	-	124	21	145
Director (Finance & Operations)		93	-	93	16	109
Director (Strategy & Development)	1	8	-	8	1	9
Director (Strategy & Development)	2	74	67	141	19	160
Director (Governance)		93	-	93	16	109
Total		392	67	459	73	532

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.

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	2015/16	2014/15
	Number of employees	
£50,000 - £54,999	5	4
£55,000 - £59,999	6	3
£60,000 - £64,999	1	6
£65,000 - £79,999	5	-
£75,000 - £79,999	-	1
	17	14

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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
							£000	£000
£0 - £20,000	-	-	3	-	3	-	15	-
£20,001 - £40,000	-	1	-	-	-	1	-	31
£60,001 - £80,000	-	-	-	1	-	1	-	67
Total	-	1	3	1	3	2	15	98

27. External audit costs

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

	2015/16	2014/15
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor	66	89
Fees payable for the certification of grant claims and returns	5	18
Total	71	107

28. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16 and 2014/15:

	2015/16	2014/15
	£000	£000
Credited to Taxation and Non Specific Grant Income and Expenditure		
Revenue Support Grant	2,167	2,995
Business Rates related Grants	513	447
Council Tax Freeze Grant	85	83
New Homes Bonus Grant	1,735	1,370
New Burdens Grant	155	240
Council Tax Flood Relief Grant	-	7
Individual Electoral Registration Grant	51	67
Total	4,706	5,209

The Authority credited the following grants, contributions and donations to the services in 2015/16 and 2014/15:

	2015/16	2014/15
	£000	£000
Credited to Services		
Homes & Communities Agency (HCA) funding (Chalk mines)	-	5,154
Council Tax & Housing Benefit Admin Grant	546	571
Housing benefit subsidy grant	38,817	37,831
Other Housing General Fund	773	1,803
Housing Revenue Account	3	10
Cultural and Environment	383	206
Central services	241	153
Net other movements	-	33
Total	40,763	45,761

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 2016
	£000
Capital Contributions Received in Advance	
Developers Contributions	380
Total	380

29. Related Parties

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

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in Note 23 on reporting for resources allocation decisions. Capital receipts outstanding at 31 March 2016 are shown in Note 28.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 25. During 2015/16 grants totalling £145k 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	2015/16			2014/15		
	Amount of Grant £000	Number of Councillors declaring an involvement	Number of Senior Officers declaring an involvement	Amount of Grant £000	Number of Councillors declaring an involvement	Number of Senior Officers declaring an involvement
Age Uk (Douglas Tilbe)	-	-	-	25	1	-
Citizens Advice Bureau (CAB)	81	1	-	81	1	-
Council for Voluntary Services (CVS)	10	1	-	10	1	-
Friendship House	13	1	-	13	1	-
Groundwork	2	1	-	-	-	-
Herts & Middlesex Wildlife Trust	-	-	-	2	2	-
Jimmy Macs	-	-	-	15	1	-
King George Football Club	-	-	-	1	1	-
Lemsford Football Club	-	-	-	1	1	1
Panshanger Football Club	-	-	-	1	1	-
Resolve	5	3	-	5	3	-
Welwyn Hatfield Sport and Physical Activity Alliance	-	-	-	1	1	-
Welwyn Warriors Lacrosse	-	-	-	2	1	-
Women's Refuge	34	3	-	34	3	-
Total	145	10	-	191	18	1
B3 Living (a preferred partner for grant funded housing delivery)	-	-	1			
Total	0	0	1			

Two councillors are observers to the Board of Finesse; the Council made significant payments including management and related fees totalling £637,430.96 to Finesse in 2015/16. A 25 year contract is held with Finesse to provide leisure services, (this contract expires on the 18 January 2029).

A loan of £189,844 is held by Jubilee Care Trust with the Council; one councillor is on the board of the trust.

Entities Controlled or Significantly Influenced by the Council

During 2015/16 the Council paid a management fee to Welwyn Hatfield Community Housing Trust totalling £13,029,570 and there is an outstanding liability of £852,657 at year end. The Council has control over the financial and operational policies of the Housing Trust, as it has been a wholly owned subsidiary of the Council since 1 April 2010. Three councillors are on the board of the trust.

Notes to the core financial statements

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.

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.

30. Capital expenditure and financing

	2015/16	2014/15
	£000	£000
Opening Capital Financing Requirement	292,307	295,441
Adjustment to opening balance	-	(829)
Restated opening balance	-	294,612
Capital Investment		
Property, plant and equipment assets	21,478	25,050
Intangible assets	180	122
Revenue Expenditure Funded from Capital under Statute	1,842	5,506
Sources of finance		
Capital receipts	(20,337)	(17,166)
Government grants and other contributions	(743)	(5,809)
Loan/ finance lease principal repayments	(11,992)	(10,008)
Closing Capital Financing Requirement	282,735	292,307
Explanation of movements in year		
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	(9,572)	(2,305)
Increase/(decrease) in capital financing requirement	(9,572)	(2,305)

There was an additional £829k of capital financing applied during 2013/14 which was not recognised through the Capital Financing Requirement. The opening balance for 2014/15 has been restated to reflect this.

31. Assets held under leases

31.1. Authority as Lessee

Finance leases

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

Notes to the core financial statements

	31 March 2016 £000	31 March 2015 £000
Other land and buildings	1,968	1,301
Total	1,968	1,301

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 2016 £000	31 March 2015 £000
Finance lease liabilities (net present value of minimum lease payments):		
• Current	-	-
• Non current	2,103	2,103
Finance costs payable in future years	15,663	15,808
Minimum lease payments	17,766	17,911

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Not later than one year	145	145	-	-
Later than one year and not later than five years	579	579	-	-
Later than five years	17,042	17,187	2,103	2,103
Total	17,766	17,911	2,103	2,103

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 leased one building for which the lease ended 24th December 2015. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2016 £000	31 March 2015 £000
Not later than one year	-	160
Total	-	160

31.2. Authority as Lessor

Finance leases

The Authority has leased out property at the Gosling Sports on a finance lease with a remaining term of 116 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 2016
	£000
Finance lease debtor (net present value of minimum lease payments):	
• Current	-
• Non current	101
Unearned finance income	665
Gross investment in the lease	766

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 2016	31 March 2016
	£000	£000
Not later than one year	-	7
Later than one year and not later than five years	-	26
Later than five years	101	733
Total	101	766

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 2016	31 March 2015
	£000	£000
Not later than one year	1,635	1,662
Later than one year and not later than five years	4,530	4,007
Later than five years	24,744	24,234
Total	30,909	29,903

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

32. Termination Benefits

The Authority terminated the contracts of a number of employees in 2015/16, incurring liabilities of £15k (2014/15 £98k) - see Note 26 for the number of exit packages and total cost per band. The amount paid to the pension fund under statutory provision amounted to £38k in 2014/15. There were no payments in 2015/16.

33. Defined Benefit Pension Scheme

33.1. 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.

33.2. 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:

Comprehensive Income and Expenditure Statement	2015/16	2014/15
	£000	£000
Cost of services		
Current service cost	1,813	1,472
Gains and losses on curtailments/settlements	25	(119)
Financing and Investment Income and Expenditure		
Net Interest Cost	1,528	1,896
Total post employment benefit charged to the surplus or deficit on the provision of services	3,366	3,249
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	1,608	(9,190)
- Actuarial gains and losses arising on changes in financial assumptions	(6,995)	12,171
- Other	(2,291)	(1,461)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(4,312)	4,769
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(3,366)	(3,249)
Actual amount charged against the General Fund balance for pensions in the year		
Employers' contributions payable to scheme	2,059	1,968
	2,059	1,968

33.3. 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:

	2015/16	2014/15
	£000	£000
Present value of the defined benefit obligation	144,083	152,448
Fair Value of Plan assets	(101,032)	(103,026)
Net liability arising from defined benefit obligation	43,051	49,422

Notes to the core financial statements

33.4. Reconciliation of the Movements in the Fair Value of Scheme Assets

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	103,026	94,027
Interest Income	3,140	3,768
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	(1,608)	9,190
Contributions from employer	2,059	1,968
Contributions from employees into the scheme	471	455
Benefits paid	(6,056)	(5,982)
Losses/(gains) on curtailments/settlements	0	(400)
Closing fair value of scheme assets	101,032	103,026

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

	2015/16 £000	2014/15 £000
Opening balance at 1 April	152,448	140,648
Current service cost	1,813	1,472
Interest Cost	4,668	5,664
Contributions from scheme participants	471	455
Remeasurement (gains) and losses:		
- Actuarial gains/losses arising from changes in financial assumptions	(6,995)	12,171
- Other	(2,291)	(1,461)
Losses/(gains) on curtailments/settlements	25	(519)
Benefits paid	(6,056)	(5,982)
Closing balance at 31 March	144,083	152,448

Notes to the core financial statements

33.6. Local Government Pension Scheme assets comprised

	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	3,211		3,211	2,717		2,717
Equity securities:						
- Consumer	8,208		8,208	9,097		9,097
- Manufacturing	7,488		7,488	10,777		10,777
- Energy and Utilities	1,756		1,756	2,974		2,974
- Financial Institutions	7,678		7,678	9,260		9,260
- Health and Care	1,338		1,338	1,528		1,528
- Information and Technology	4,778		4,778	6,399		6,399
- Other	233		233	760		760
Private Equity		4,337	4,337		4,268	4,268
Real Estate:						
- UK Property		4,512	4,512			0
- Overseas Property		2,637	2,637			0
Investment Funds and Unit Trusts:						
- Equities	20,509		20,509	14,803		14,803
- Bonds	27,664		27,664	27,481		27,481
- Commodities	477		477	446		446
- Infrastructure		130	130		92	92
- Other	412	6,036	6,448	324	12,325	12,649
Derivatives:						
Foreign Exchange		(371)	(371)		(223)	(223)
Closing balance at 31 March	83,751	17,281	101,032	86,564	16,462	103,026

33.7. 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	2015/16	2014/15
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	2.1%	1.9%
Rate of increase in salaries	3.6%	3.5%
Rate of increase in pensions	2.1%	2.1%
Rate of discounting scheme liabilities	3.4%	3.1%

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%	12,565
1 year increase in member life expectancy	3%	4,322
0.5% increase in Salary Increase Rate	1%	2,028
0.5% increase in the Pension Increase Rate	7%	10,479

33.8. Impact on the Authority's Cash Flows

The actuaries anticipate Employers Contributions for the period to 31 March 2017 will be approximately £2,021,000. 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.

34. Contingent Liabilities

34.1. 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 2016 no guarantees had been exercised.

34.2. 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.

34.3. 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.

34.4. 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.

34.5. Other claims

There are various "live" enforcement cases which the council is prosecuting. If the Council was to be unsuccessful in these cases it may be liable for legal costs of other parties. We are not able to make a reliable estimate of the amount of legal costs that we could be liable for should we be unsuccessful.

34.6. Backdated business rate refunds

There is a possibility that new claims for mandatory relief from NHS Trusts will be received. If the claims are successful, and the claims are fully backdated the estimated cost to the council would be £2.7 million.

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	2015/16 £000	2014/15 £000
Expenditure			
Repairs and maintenance		10,302	10,103
Supervision and management		8,109	7,713
Rent, rates, taxes and other charges		443	425
Depreciation and impairments of non-current assets		(6,415)	(10,717)
Debt management expenses	H5	46	45
Sums directed by Secretary of State		8	37
Increase/ (decrease) in bad debt provision		563	157
Total expenditure			13,056
Income			
Dwelling rents		(50,148)	(47,667)
Non-dwelling rents		(398)	(392)
Charges for services and facilities		(1,830)	(1,238)
Contributions towards expenditure		(250)	(710)
Total income			(52,626)
Net cost of HRA services as included in the council's Comprehensive Income and Expenditure Statement			(39,570)
HRA share of corporate and democratic core		486	475
Net income from HRA services			(39,084)
(Gain) or loss on sale of HRA non-current assets		205	148
Interest payable and similar charges		6,564	6,641
HRA interest and investment income		(245)	(161)
Capital Grants and Contributions Receivable		-	(10)
(Surplus) or deficit for the year on HRA services			(32,559)

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.

	2015/16	2014/15
	£000	£000
Opening balance on HRA as at 1 April	(12,275)	(11,269)
(Surplus) or deficit on the HRA Income and Expenditure Statement	(32,559)	(35,153)
<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	17,429	21,037
Gain or loss on sale of HRA non-current assets	(205)	(148)
Capital expenditure funded by the Housing Revenue Account	2,021	2,842
Capital grants and contribution receivable	-	10
Net increase or decrease before transfers to or from reserves	(13,315)	(11,411)
<i>Transfers to or from reserves</i>		
Transfer to/from the Major Repairs Reserve	(61)	455
Transfer to/from the Capital Adjustment Account	11,750	9,950
(Increase) or decrease in year on HRA	(1,626)	(1,006)
Closing balance on HRA as at 31 March	(13,901)	(12,275)

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

	2015/16 Number	2014/15 Number
Houses and bungalows	6,328	6,354
Flats and maisonettes	2,682	2,711
Equity share	8	8
	9,018	9,073

H1.2 Asset values

	31 March 2016 £000	31 March 2015 £000
Operational assets		
Dwellings	904,475	750,902
Other land and buildings	713	730
Equipment	80	132
Non-operational assets		
Investments	2,145	1,950
Assets Under Construction	342	97
Total	907,755	753,811

H2 Vacant possession value of housing stock

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

	2015/16 £000	2014/15 £000
Vacant possession value of housing stock at 1 April	2,319,165	1,925,389

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:

	2015/16 £000	2014/15 £000
Opening balance as at 1 April	3,694	2,458
Transfer to major repairs reserve during financial year	11,014	10,320
Transfer (to)/from major repairs reserve to HRA	(61)	455
Capital expenditure	(11,178)	(9,539)
Closing balance as at 31 March	3,469	3,694

H4 Summaries of total capital expenditure and receipts

H4.1 Summary of total capital expenditure

	2015/16 £000	2014/15 £000
Total capital expenditure in year	17,225	14,177
Financed by:		
Direct revenue funding	2,021	2,842
Capital grants receivable	-	10
Capital receipts reserve	4,026	1,787
Major repairs reserve	11,178	9,538
Total financing	17,225	14,177

H4.2 Summary of total capital receipts

	2015/16 £000	2014/15 £000
House sales	9,482	10,901
Discounts recovered	124	12
Total receipts	9,606	10,913

H5 Depreciation and impairment of assets

	2015/16 £000	2014/15 £000
Depreciation:		
HRA Dwellings	10,945	10,247
Other land and buildings	69	73
Revaluation Losses/ (Gains):		
HRA Dwellings	17,429	(21,037)
Total	28,443	(10,717)

H6 Rent arrears

	2015/16 £000	2014/15 £000
Outstanding rent arrears at 31 March	2,236	2,394
Provision for uncollectable debts at 31 March	1,378	964

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.

2014/15			Collection Fund			2015/16		
Council Tax £000	Business Rates £000	Total £000		Council Tax £000	Business Rates £000	Total £000		
Income								
(59,047)		(59,047)	Council Tax Receivable	(61,895)		(61,895)		
	(59,514)	(59,514)	Business Rates Receivable		(58,766)	(58,766)		
	220	220	Transitional Payment Protection due		51	51		
(59,047)	(59,294)	(118,341)	Total income	(61,895)	(58,715)	(120,610)		
Expenditure								
Precepts, Demands and Shares								
42,216	5,482	47,698	- Hertfordshire County Council	44,471	5,768	50,239		
5,578		5,578	- Hertfordshire Police Authority (Council Tax Only)	5,761		5,761		
8,868	21,929	30,797	- Welwyn Hatfield Borough Council	9,164	23,071	32,235		
	27,411	27,411	- Central Government (Business Rates Only)		28,839	28,839		
Charges to Collection Fund								
-	153	153	- Less costs of collection	-	155	155		
218	6	224	- Less write offs of uncollectable amounts	259	68	327		
58	150	208	- Less increase/(decrease) allowances for impairment	76	91	167		
	1,422	1,422	- Less increase/(decrease) provision for appeals	-	399	399		
Contribution towards previous year (deficit)/surplus								
(203)	(10)	(213)	- Hertfordshire County Council	1,894	114	2,008		
(27)		(27)	- Hertfordshire Police Authority (Council Tax Only)	250	-	250		
(43)	(43)	(86)	- Welwyn Hatfield Borough Council	400	569	969		
	(53)	(53)	- Central Government (Business Rates Only)	-	455	455		
56,666	56,447	113,113	Total Expenditure	62,275	59,529	121,804		
(2,382)	(2,847)	(5,229)	Movement on fund balance	380	814	1,194		
(3,024)	617	(2,407)	Balance at beginning of year	(5,406)	(2,230)	(7,636)		
(5,406)	(2,230)	(7,636)	Balance at end of year (surplus)/deficit	(5,026)	(1,416)	(6,442)		
Shares of balance								
(4,067)	(223)	(4,290)	- Hertfordshire County Council	(3,782)	(142)	(3,924)		
(510)		(510)	- Hertfordshire Police Authority (Council Tax Only)	(479)		(479)		
(829)	(892)	(1,721)	- Welwyn Hatfield Borough Council	(765)	(566)	(1,331)		
	(1,115)	(1,115)	- Central Government (Business Rates Only)		(708)	(708)		
(5,406)	(2,230)	(7,636)		(5,026)	(1,416)	(6,442)		

Notes to the Collection Fund

C1 Non-domestic rates

The total non-domestic rateable value at 31 March 2016 was £141.8m

The national non-domestic rate multiplier for the year was 48.0p for small business and 49.3p 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	591.6	6/9	394.4
B	4,095.5	7/9	3,185.4
C	13,180.5	8/9	11,716.0
D	10,439.8	9/9	10,439.8
E	4,687.8	11/9	5,729.5
F	4,058.8	13/9	5,862.6
G	3,573.3	15/9	5,955.4
H	587.8	18/9	1,175.5
Total	41,214.9		44,458.6
Less adjustment for Council Tax Support			(4,487.0)
Total tax base before Collection Rate Adjustment			39,971.6
Less adjustment for collection rates			97.5%
Council tax base			38,972.3

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 31st March 2016 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 18th July 2016.

Councillor George Michaelides
Chair of Audit Committee
Date: 25th July 2016

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 31st March 2016.

Pam Kettle
Director (Finance and Operations)
25th July 2016

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 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement,
- 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.

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 2015/16.

This report is made solely to the members of Welwyn Hatfield Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Responsibilities set out on page 83, 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 2015/16, 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 2015/16 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 Welwyn Hatfield Borough Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Welwyn Hatfield Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 Council 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 issued by the C&AG in November 2015, 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 2016.

Certificate

We certify that we have completed the audit of the accounts of Welwyn Hatfield Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Neil Harris
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
July 2016

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.

Curtailement

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.