

**WARWICK DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2007/08**

**CONTENTS**

	Page
Foreword by the Responsible Financial Officer	1
Financial Summary	2
Guide to the Financial Statements	6
Statement of Accounting Policies	7
Income and Expenditure Account	15
Statement of Movement on the General Fund Balance	16
Statement of Total Recognised Gains and Losses	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Core Financial Statements	21
HRA Income and Expenditure Account	43
Statement of Movements on the HRA Balance	44
Notes to the Housing Revenue Account	45
Housing Repairs Account	49
Housing Major Repairs Reserve	50
Collection Fund	51
Notes to the Collection Fund	52
Statement of Responsibilities	54
Annual Governance Statement	55
Auditors' Report to Warwick District Council	69

## FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

The Council finished the year in a more favourable position than expected with a surplus of £1,817,000 mainly due to the LABGI (business incentive) grant, although at the time of writing this still hasn't finally been confirmed by Government. Financial management is not easy in such a situation! We also achieved higher capital receipts than expected and purchased Oakley Wood for the benefit of the local community. The Council has had yet another successful year winning two major Midlands Excellence awards, under the EFQM (European quality framework model) approach, judging us against other businesses and not just local government.

May 2007 saw the election of a new administration, with a Conservative majority that has developed a new Corporate Strategy. As a partner with the County we've developed a new Local Area Agreement with all local partners working together to improve our area for local people and businesses. In September we agreed a new structure to make us fit for the future, along with new ways of working, which we have called the Building on Excellence programme.

We've set up a unique Joint Community Partnerships Team with the County Council, and introduced neighbourhood working to help join up services of local all tiers of local councils 'on the ground'. Warwickshire Direct - Whitnash was launched in December 2007 bringing the Town, District and County Councils along with the Safer Neighbourhoods Team under one roof. We supported the businesses in Leamington in their pursuit of a BID (Business Improvement District).

We made preparations for a new waste contract which started on 1 April 2008, and has already shown significantly increased recycling, and we are confident we will significantly exceed our targets. We've worked in partnership with the County to introduce decriminalisation, which is the enforcement of parking by Councils, which was formerly done by the police.

For Environmental Health the year saw the introduction of smoke-free legislation; we also started a mobile working initiative. In Culture there has been a massive increase in gym usage and continued improvement in condition and attendances at Newbold Cornyn Golf Course. We worked with peer support to review our support to rural communities and have made a good start in supporting parishes in parish planning and housing needs surveys. We've delivered 170 new affordable homes and worked on a Government project to look at better ways of financing housing in the future.

We were pleased to score a '3' for all elements of the Audit Commissions 'Use of Resources' meaning we are performing well above standard levels. We collected 98.9% of council tax, and 99.1% of business rates - record WDC performance. The website now receives over 45,000 unique visitors per month, 3 times more than 2 years ago. It's rated as a Transactional site and as one of the top district sites in the UK by the Society for IT Managers (SOCITM). New procedures were introduced for the May elections to improve and protect the security of postal votes for the 7,400 completed ballot papers received in this way.

A pilot for WiMax (wireless broadband) has been carried out in part of the District. We have several home workers using WiMax if they are in the coverage area. In addition the County Council now uses the service for some home workers. A company called Konnex are now promoting the service on a commercial basis to businesses.

In preparing for the future we have started to consider the challenges of the Regional Spatial Strategy, and the requirement to consider where additional house building will go, and the initial stages of the development of the Core Strategy that will replace the Local Plan in shaping our future planning framework. Within Leamington we've started work on proposals for the development of the Chandos Street area to maintain the viability of the town centre.

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# FINANCIAL SUMMARY

## 1. General Fund Summary 2007/08

In February 2007 the Council approved a total net expenditure budget for 2007/08 of £16.9m (excluding Parish Precepts) and set a band D council tax for the district of £132.09. The following table shows how the net expenditure compared to the original estimates:

<b>General Fund Net Service Expenditure</b>	<b>Original £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
Democratic Representation and Management	1,133	1,078	(55)
Corporate Management	1,214	1,076	(138)
Central Services to the Public	420	856	436
Cultural and Related Expenses	6,334	6,434	100
Environmental Services	6,067	5,718	(349)
Planning and Development Services	2,491	3,239	748
Highways, Roads and Transport Services	1,116	1,031	(85)
Housing Services	1,806	1,507	(299)
Non Distributed Costs	332	684	352
Support Services	(13)	1	14
<b>TOTAL GENERAL FUND NET EXPENDITURE</b>	<b>20,900</b>	<b>21,624</b>	<b>724</b>
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(3,505)	(3,637)	(132)
- Adjust Loan Repayments, RCCO and Interest Paid	(207)	(207)	-
Net External Interest Received	(813)	(1,411)	(598)
Revenue Contributions to Capital	1,103	521	(582)
Contributions to / (from) Reserves	(933)	(538)	395
Government Grants Deferred Written-Out	-	88	88
FRS17 Adjustments	-	(837)	(837)
Contributions to / (from) General Fund	400	1,000	600
<b>NET EXPENDITURE FOR DISTRICT PURPOSES</b>	<b>16,945</b>	<b>16,603</b>	<b>(342)</b>
Less Council Tax, General Revenue Grants and Collection Fund Deficit	(16,945)	(18,420)	(1,475)
<b>SURPLUS FOR YEAR</b>	<b>-</b>	<b>(1,817)</b>	<b>(1,817)</b>

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- The Council has received government grants of £1.475m in respect of Local Authority Business Growth Incentive (LABGI).
- Interest received is £600,000 better than estimated mainly due to higher balances invested and higher interest rates than expected.
- Several initiatives and revenue programmes that were not completed during 2006/07, amounting to £996,900, were carried forward to 2007/08 as earmarked reserves. The expenditure on these items is included within the relevant service expenditure and the financing is by way of a contribution from the earmarked reserves. This has been offset by underspendings during 2007/08 of £733,900 which have been carried forward to 2008/09 as earmarked reserves.
- A reassessment of the requirements of the Insurance Provision has resulted in a transfer back to the General Fund of £169,000.

## FINANCIAL SUMMARY

- The Council has decided to allocate the surplus (a) £200,000 to the Early Retirement Reserve, (b) £200,000 to the Contingency Budget and (c) £1,417,000 to the General Fund balance (in addition to the £1m agreed in the revised estimates).

More detailed information on the transactions within the General Fund can be found in the Notes to the Core Financial Statements on pages 21 to 41.

### 2. Housing Revenue Account 2007/08

In February 2007, the Council approved a total net surplus budget on Council Housing for 2007/08 of £960,500 incorporating an estimated average rent increase of £2.97 per week, calculated using government rent restructuring guidelines. The actual average rent of £62.33 for 2007/08 was an increase of £2.94 over the average rent of £59.39 for 2006/07.

The following table shows how the actual net surplus compared to the original estimates:

<u>Housing Revenue Account</u>	<u>Original £'000</u>	<u>Actual £'000</u>	<u>Variation £'000</u>
Income	(20,436)	(20,842)	(406)
Expenditure	15,227	14,467	(760)
Capital Financing / Appropriations	4,223	4,140	(83)
Contribution to / (from) Reserves	25	149	124
<b>(SURPLUS) / DEFICIT FOR YEAR</b>	<b>(961)</b>	<b>(2,086)</b>	<b>(1,125)</b>

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£19.2m), and other charges (£1.6m). See pages 43 to 50 for more details.

### 3. Balance Sheet

The Balance Sheet reflects assets at their current value, totalling £411m. The Council has continued to maintain its debt-free status so as to take advantage of new freedoms arising from the introduction of the Prudential Borrowing Regime and the abolition of Part 4 of the Local Government and Housing Act 1989.

During 2007/08 net current assets increased by £5.5m from £23.3m to £28.8m. The main items being an increase in creditors (-£2.3m), debtors (+£2.6m) and short term investments and loans (+£5.2m).

A total of £10.4m is held in earmarked reserves. Of this total, £3.9m is held for housing improvement, £2.2m is for future other capital investment and the remaining £4.3m is for specific revenue items. A full list of these reserves can be found on page 36.

A further £4.3m is held for future major housing repairs.

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## FINANCIAL SUMMARY

### 4. Collection Fund

The Collection Fund represents all the transactions on the collection and distribution of monies in respect of Council Tax and National Non-domestic Rates (NNDR).

During 2007/08 £69.3m (£65.4m in 2006/07) of Council Tax was collected. The precepts and demands on the Collection Fund were Warwickshire County Council (£53.9m), Warwick District Council (£7.8m - of which £1.0m relates to Town and Parish Council precepts) and Warwickshire Police Authority (£7.5m). After receiving payments totalling £0.409m towards deficits from previous years the Collection Fund had a deficit balance for the year of £56,000. The deficit arose mainly due to the overestimation of new developments being completed within the year. The deficit will be recovered from the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (44.4p for 2007/08) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £53.9m of Business Rates (NNDR) was collected during 2007/08 (£52.5m in 2006/07). This money is passed to the Government which operates a National Pool whereby it redistributes the sums collected to all local authorities. This Council received a contribution of £8.7m for 2007/08 (£8.0m in 2006/07) from the National Pool. An allowance of £214,000 (£216,000 in 2006/07) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 51 to 53.

### 5. Capital Expenditure

Capital investment of £9.5m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£3.5 million
- e-government / ICT Strategy / Housing	£1.5 million
- Refuse Collection / Recycling	£1.2 million
- Housing Association Schemes	£0.6 million
- Private Sector Renewal and Disabled Facilities Grants	£0.4 million
- Regeneration	£0.4 million
- Corporate Properties	£0.4 million
- Car Park Enhancements	£0.3 million
- Purchase of Oakley Woods	£0.3 million
- Leisure Development	£0.2 million
- House Purchase	£0.2 million
- Conservation and Environmental	£0.2 million
- Community Safety	£0.2 million

Major fixed assets disposed of during the year were:

- Sale of Council Houses	£2.1 million
- DeMontfort Hotel Freehold	£0.5 million

For further details see Note 15 to the Core Financial Statements.

### 6. Treasury Management

The Council's Treasury Management Policy Statement and Treasury Management Practices detail how the Council will manage its activities in relation to borrowing and investment. A copy of the statement and practices may be obtained from The Head of Finance, Warwick District Council, P.O. Box 2180, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5QW.

The Council continued to be debt free throughout 2007/08, having repaid its remaining external long term debt in 2003/04.

During 2007/08, net capital expenditure was financed from the Council's internal resources, such as usable capital receipts, reserves and revenue (see Note 15 to the Core Financial Statements).

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## FINANCIAL SUMMARY

### 7. Euro Costs

The Council, as part of its routine Treasury Management activities, continues to review the impact of the euro on its ongoing operations. The Council has participated in a project led by HM Treasury to produce Best Practice Changeover Plans for Local Authorities. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

### 8. Pension Costs

Pension costs are included in the accounts to meet the requirements of FRS 17 which requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

As at 31 March 2008 this Council's pension fund liability is £24.0m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2005/06 to 2010/11 the Council's contribution rate will increase to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in note 24 to the Core Financial Statements.

### 9. Changes in Accounting Policies

From 1 April 2007 the Fixed Asset Restatement Account and Capital Financing Account have been replaced by a Revaluation Reserve and a Capital Adjustment Account. This change of accounting policy has required a prior year adjustment. The 2006/07 comparative figures have been adjusted accordingly.

The balance of External Contributions at the year end has previously been included in the Earmarked Reserves figure on the Balance Sheet. The SORP requires this balance to be classed as a creditor. Accordingly, the 2006/07 Creditors and Earmarked Reserves comparative figures in the Balance Sheet have been adjusted by £699,000.

At 31 March 2007 the Council had £2.084m in Deferred Premiums arising from the early repayment of debt on its Balance Sheet. The 2007 SORP does not provide for premiums to be included as a discrete item on the Balance Sheet and, accordingly, the premiums outstanding at 1 April 2007 have been transferred to the General Fund Balance and charged to the Financial Instruments Account in order to cancel out the negative impact on the General Fund Balance.

# GUIDE TO THE FINANCIAL STATEMENTS

A brief outline of the purpose of the Council's financial statements is given below:

- Page 7     Statement of Accounting Policies**  
This statement explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.
- Page 15   Income and Expenditure Account**  
This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.
- Page 16   Statement of Movement on the General Fund Balance**  
This statement reconciles the differences between the Income and Expenditure Account and the General Fund balance.
- Page 17   Statement of Total Recognised Gains and Losses**  
This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.
- Page 18   Balance Sheet**  
This statement shows the overall financial position of the Council as at 31 March 2008. It shows the assets and liabilities of the Council as a whole, excluding the Collection Fund.
- Page 19   Cash Flow Statement**  
This statement summarises the inflows and outflows of cash arising from Council transactions with third parties for both revenue and capital purposes.
- Page 43   HRA Income and Expenditure Account**  
This statement shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account.
- Page 44   Statement of Movement on the HRA Balance**  
This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.
- Page 49   Housing Repairs Account**  
This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.
- Page 50   Major Repairs Reserve**  
This statement details the income and expenditure during the year on major repairs and improvements to the Council's housing stock.
- Page 51   Collection Fund**  
This statement details the transactions relating to the collection of Council Tax, National Non-Domestic Rates (NNDR) and residual Community Charge. The Council is responsible for collecting Council Tax on behalf of Warwickshire County Council, Warwickshire Police Authority and itself (which also includes the precepts of the Parish Councils). The Council is also responsible for collecting NNDR on behalf of the Government.
- Page 54   Statement of Responsibilities for the Statement of Accounts**  
This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.
- Page 55   Annual Governance Statement**  
This statement provides details of the measures in place to safeguard the Council's resources.

Where appropriate, comparative figures for the previous financial year are given. For specific items detailed notes are provided giving further information.

## STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments are 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, except where amended as appropriate by statute (e.g. "soft loans").
- 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.

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### Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, 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 the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

# STATEMENT OF ACCOUNTING POLICIES

## Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Warwickshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

### Local Government Pension Scheme

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

- The liabilities of the Warwickshire County Council Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The assets of the Warwickshire County Council Pension Scheme are included in the balance sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
  - gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
  - contributions paid to the Warwickshire County Council pension fund – cash paid as employer's contributions to the pension fund.

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Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year end.

### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

# STATEMENT OF ACCOUNTING POLICIES

## Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2007* (BVACOP). 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 multi-functional 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 cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. In 2007/08, with the exception of expenditure incurred on upgrading the Joint Contact Centre System software, Microsoft Office licences and e-consultation software for Planning, all expenditure was written out to revenue as no economic benefit beyond 1 year was obtained but this did not affect the net cost of services as ultimately the expenditure was charged to the Capital Adjustment Account.

## Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. A de-minimis level of £20,000 has been used as the basis for inclusion as a capital asset.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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

Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2007/08 which have not been the subject of a valuation are included at historical cost.

# STATEMENT OF ACCOUNTING POLICIES

## Tangible Fixed Assets (Continued)

Non-operational assets, including investment property, have been valued at open market value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. Community Assets ( e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of ) and Infrastructure Assets (e.g. Flood Alleviation Works) are valued at historical cost.

The current values shown in the Balance Sheet for General Fund properties are based on a valuation as at 1<sup>st</sup> April 2004, updated for subsequent expenditure, sales and depreciation to provide the value at 31 March as shown in the Balance Sheet. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency.

For Housing Revenue Account properties the valuation is based upon the valuation at 1st April 2007 provided by the District Valuer. This valuation has been updated for capital expenditure and Council house sales during the year and depreciation in order to provide the value at 31st March as shown in the balance sheet.

**Impairment:** The Council's Fixed Assets are reviewed at the end of each financial year for evidence of reduction in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account and then written off to the Capital Adjustment Account, to neutralise any impact on the Council Tax.
- Where attributable to a decline in prices - the loss is charged against the accumulated gains in the Revaluation Reserve for that asset. If the loss is greater than the accumulated gains, the balance is debited to the Income and Expenditure Account and then reversed out to the Capital Adjustment Account.

The instances of impairment identified during 2007/08 related to housing stock revalued on disposal.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 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 Useable 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 Statement of Movement on the General Fund Balance. Usable Capital Receipts at 31 March 2008 amounted to £6,108,879 including £2,628,573 capital receipts previously set aside for the repayment of debt which are now available for financing capital expenditure as a result of the Council's debt free status. Interest on usable capital receipts held during the year is credited to the General Fund.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

**Depreciation:** depreciation is provided for all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over periods expected to benefit from their use.

Depreciation is calculated on the following bases:

# STATEMENT OF ACCOUNTING POLICIES

## Tangible Fixed Assets (Continued)

### Depreciation (continued):

Asset Type	Depreciation Method	Period of Years
General Fund Buildings	Straight Line	5 to 48 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Vehicles and Plant	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	45 to 65 years
HRA Garages	Straight Line	10 years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## Charges to Revenue for Fixed Assets

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets e.g. Environmental Health Improvement Grants. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.



# STATEMENT OF ACCOUNTING POLICIES

## Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

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Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

## Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the 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 liabilities that the Council has, the amount presented in the Balance Sheet is the original amount repayable and interest charged to the Income and Expenditure Account is the amount payable for the year under the terms of the liability.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the loss over the term that was remaining on the loan against which the premium was payable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

## Financial Assets

Financial assets are classified into three 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
- fair value through profit and loss – assets that are held for trading.

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## Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the 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 Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Any loans made by the Council at less than market rates are called "soft loans". When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the rate receivable from the recipient, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. It has been determined that the few "soft" loans that the Council has require no adjustment to the accounts as they are de-minimus.

## STATEMENT OF ACCOUNTING POLICIES

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 derecognition of the asset are credited / debited to the Income and Expenditure Account.

### Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

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Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the asset accumulated in the Reserve.

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 the derecognition of the asset are credited / debited to the Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL.

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

### Fair Value through profit and loss

These instruments are recognised at fair value and relate to instruments which are acquired or incurred principally for the purpose of generating short term profits through selling in an active market. The Council's Invesco Investment Management Fund falls within this category.

### Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of (a) an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974 and (b) the Invesco Fund which is recorded at current value as at the 31<sup>st</sup> March 2008.

### Interest Charges

Interest is credited to the Housing Revenue Account in respect of its revenue, capital and reserve balances during the year. This is calculated using the actual external investment rate. All remaining interest income is credited to the General Fund Revenue Account.

### Stocks and Work in Progress

Stocks are included in the Balance Sheet at cost. Work in progress is subject to an interim valuation at year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

## **STATEMENT OF ACCOUNTING POLICIES**

### **Interest in Companies and Other Entities**

The Council has no material interests in companies or other entities that have a nature of subsidiaries, associates and joint ventures and there is no requirement to prepare group accounts.

### **Post Balance Sheet Events**

Any material post Balance Sheet events, which provide additional evidence relating to conditions existing at the Balance Sheet date or indicate that application of the going concern concept is not appropriate, have been included in the accounts.

Any material post Balance Sheet events that concern conditions that did not exist at the balance sheet date have been disclosed as a separate note to the accounts.

## INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Net Expenditure 2006/07 £'000		Notes	Gross Expenditure 2007/08 £'000	Gross Income 2007/08 £'000	Net Expenditure 2007/08 £'000
919	Central Services to the Public		8,930	(8,074)	856
6,287	Cultural and Related Services		9,771	(3,337)	6,434
5,617	Environmental Services		8,068	(2,350)	5,718
2,429	Planning and Development Services		5,383	(2,144)	3,239
956	Highways, Roads and Transport Services		3,679	(2,648)	1,031
(835)	Housing Services		42,808	(43,813)	(1,005)
2,319	Corporate and Democratic Core		2,166	(10)	2,156
826	Non-Distributed Costs		694	(10)	684
18,518	<b>Net Cost of Services</b>	1 - 12	81,499	(62,386)	19,113
460	Gain or loss on the disposal of fixed assets				76
925	Parish Council Precepts				979
1,613	Contribution to Housing Pooled Capital Receipts				1,640
476	Interest Payable				32
(1,451)	Interest and Investment Income				(2,188)
-	Investment (Gains) / Losses				(4)
	Pensions Interest Cost and Expected				
138	Return on Pensions Assets	24			169
20,679	<b>Net Operating Expenditure</b>				19,817
(7,294)	Demand on Collection Fund				(7,746)
(2,627)	General Government Grants				(2,938)
(8,034)	Non-Domestic Rates Distribution				(8,715)
2,724	<b>Net General Fund Deficit</b>				418

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2006/07 £'000		Notes	2007/08 £'000
2,724	Deficit for the year on the Income and Expenditure Account		418
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	13	(2,835)
(2,724)			
-	<b>(Increase) / Decrease in General Fund Balance</b>		<b>(2,417)</b>
(1,100)	General Fund Balance brought forward		<b>(1,100)</b>
(1,100)	<b>General Fund Balance carried forward</b>		<b>(3,517)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006/07 £'000		Notes	2007/08 £'000
2,724	Deficit for the year on the Income and Expenditure Account		418
(4,398)	Surplus arising on revaluation of fixed assets	15	(21,597)
(3,609)	Actuarial (gains) / losses on pension fund assets and liabilities	24	5,864
(41)	Movement on Collection Fund Balance	Coll. Fund 5	(24)
(132)	Other items		(1,415)
<u>(5,456)</u>	<b>Total recognised gains for the year</b>		<u>(16,754)</u>

# **BALANCE SHEET as at 31 March 2008**

2007 £'000		Notes	2008 £'000	2008 £'000
	<b>CAPITAL ASSETS</b>			
249	<b>INTANGIBLE ASSETS</b>	14		242
	<b>TANGIBLE FIXED ASSETS</b>			
	<b>Operational Assets:</b>			
318,533	Council Dwellings		336,925	
51,400	Other Land and Buildings		51,889	
2,311	Vehicles, Plant, Furniture and Equipment		4,021	
670	Infrastructure Assets		863	
6,381	Community Assets		6,409	
	<b>Non-Operational Assets</b>			
11,819	Investment Properties		10,206	
34	Assets under Construction		167	
743	Surplus Assets held for disposal		722	411,202
392,140	<b>TOTAL FIXED ASSETS</b>	15 - 18		411,444
12	Long Term Investments			12
105	Long Term Debtors			79
392,257	<b>TOTAL LONG TERM ASSETS</b>			411,535
	<b>CURRENT ASSETS</b>			
13	Stocks and Work-in-Progress		11	
9,271	Debtors		11,862	
(1,751)	Less Bad Debts Provisions		(1,697)	
75	Cash and Bank		28	
24,192	Investments	26	29,381	39,585
424,057	<b>TOTAL ASSETS</b>			451,120
	<b>CURRENT LIABILITIES</b>			
0	Borrowing Repayable on demand or within 12 months		0	
(8,491)	Creditors		(10,818)	
0	Bank Overdraft		0	(10,818)
415,566	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			440,302
	<b>Long-term liabilities</b>			
0	Borrowing Repayable within a period in excess of 12 months		0	
(467)	Provisions	21	(608)	
(205)	Government Grants Deferred		(1,155)	
(103)	Deferred Credits		(75)	
(429)	Deferred Liabilities		(421)	
(17,114)	Liability related to defined benefit pension scheme	24	(24,041)	(26,300)
397,248	<b>TOTAL ASSETS LESS LIABILITIES</b>	19		414,002
	<b>FINANCED BY:</b>			
0	Revaluation Reserve	23	21,547	
390,944	Capital Adjustment Account	23	387,752	
0	Available-for-sale Financial Instruments Reserve	23	0	
(2,084)	Financial Instruments Adjustment Account	23	(1,686)	
6,206	Usable Capital Receipts Reserve	23	6,097	
(17,114)	Pensions Reserve	23	(24,041)	
4,048	Housing Revenue Account Balance	23	6,134	
3,161	Major Repairs Reserve	23	4,257	
1,100	General Fund Revenue Balance	23	3,517	
11,017	Earmarked Reserves	23	10,431	
(30)	Collection Fund balance attributable to WDC	23	(6)	
397,248				414,002

# CASH FLOW STATEMENT

Year Ended 31 March 2007 £'000		Notes	Year Ended 31 March 2008 £'000      £'000	
REVENUE ACTIVITIES				
Cash Outflows				
15,899	Cash paid to and on behalf of employees		-	
18,502	Other operating cash payments		-	
10,532	Housing Benefit paid out		-	
5,105	Payments to the National Housing Rent Pool		-	
53,312	Non-Domestic Rate payments to National Pool		-	
58,458	Precepts Paid		-	
1,213	Payments to the Capital Receipts Pool		-	-
Cash Inflows				
(9,390)	Rents (after rebates)		-	
(59,264)	Council Tax Receipts		-	
(8,034)	Non-Domestic Rate receipts from National Pool		-	
(53,296)	Non-Domestic Rate receipts		-	
(1,607)	Revenue Support Grant		-	
(27,539)	DWP grants for Housing Benefits		-	
(2,736)	Other Government grants	28	-	
(11,929)	Cash received for goods and services		-	-
(10,774)	Net cash (inflow)/outflow from Revenue Activities	25		-
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
1	Interest paid		-	
36	Interest element of finance lease rental payments		-	-
Cash Inflows				
(1,512)	Interest received			-
(12,249)				-
CAPITAL ACTIVITIES				
Cash Outflows				
6,059	Purchase of fixed assets		-	
4,649	Purchase of long term investments	26	-	
2,522	Other capital cash payments		-	-
Cash Inflows				
(2,972)	Sale of fixed assets		-	
-	Capital Grants received		-	
(755)	Other capital cash receipts		-	-
(2,746)	NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING			-



# CASH FLOW STATEMENT

Year Ended			Year Ended	
31 March 2007		Notes	31 March 2008	
£'000			£'000	£'000
(2,746)	<b>NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING</b>			-
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
-	Net increase / (decrease) in short term deposits		-	
1,117	Net increase / (decrease) in other liquid assets	26	(9,311)	(9,311)
<u>(1,629)</u>				<u>(9,311)</u>
<b>FINANCING</b>				
<b>Cash Outflows</b>				
-	Repayments of amounts borrowed		-	
18	Capital element of finance lease rental payments		-	-
			<u></u>	
<b>Cash Inflows</b>				
-	New short term loans			-
<u>(1,611)</u>	<b>NET (INCREASE) / DECREASE IN CASH</b>			<u>(9,311)</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. s137 of the Local Government Act 1972 applied to principal authorities

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council has not made any payments under this power.

## 2. Publicity expenditure

Per the requirements of section 5[1] of the Local Government Act 1986, the Council's spending on publicity was:

	2007/08 £'000	2006/07 £'000
Recruitment Advertising	172	123
Tourism Promotion	340	385
Other Advertising	216	174
Other Publicity	106	58
<b>Total Publicity</b>	<b>834</b>	<b>740</b>

Following a national investigation by the TaxPayers Alliance the opportunity has been taken to review which costs should be included here. As a consequence the 2006/07 figures have been restated.

## 3. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Warwick District Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Section divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Chargeable 2007/08 £'000	Non- Chargeable 2007/08 £'000	Total Building Control 2007/08 £'000
Expenditure	503	163	666
Income	(494)	-	(494)
<b>(Surplus) / Deficit for Year</b>	<b>9</b>	<b>163</b>	<b>172</b>
2006/07 Net (Income) / Expenditure	(3)	188	185

## 4. Agency Income and Expenditure

In August 2007 the Decriminalisation of Parking Enforcement was introduced within the Council's area. This moved parking enforcement from Warwickshire Police Authority to Warwickshire County Council and saw the introduction of on-street parking charges. As district councils are already responsible for off-street parking arrangements it is considered good practice for them to administer on-street parking as agents for county councils. Any surpluses generated should be ring fenced for highway purposes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The County Council reimburses the Council for direct costs of the service, an agreed proportion of the shared costs and a contribution towards the administrative costs. The net income generated is paid to the County Council.

A summary of income and expenditure in respect of the activity, which is not included in the Income and expenditure Account, is as follows:

	2007/08 £'000	2006/07 £'000
Direct Costs	235	-
Proportion of Shared Costs	426	-
Administrative Costs	81	-
Income	(1,267)	-
<b>Net Income paid to Warwickshire County Council</b>	<b>(525)</b>	-

### 5. Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Council provided grounds maintenance to Warwickshire County Council's highways in respect of their grass verges, shrubs, hedges and trees. Income from these services amounted to £142,689 in 2007/08 (2006/07 £137,220) and the related expenditure was £140,483 (2006/07 £133,529).

### 6. Local Area Agreements

Warwick District Council is a participant in a Local Area Agreement - a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, we have completed the first year of our agreement which was signed on 29 March 2007.

The purpose of the Local Area Agreement is:

- To form an agreement between Warwickshire Local Strategic Partnership, Government (represented by the Government Office of the West Midlands), and other external agencies, to ensure that together we achieve local sustainable community strategies.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Warwickshire by pooling and aligning funding streams.

The Local Area Agreement partners are:

- Local government bodies – North Warwickshire Borough Council, Nuneaton & Bedworth Borough Council, Rugby Borough Council, Stratford on Avon District Council and Warwick District Council, Warwickshire County Council
- Community Protection authorities – Warwickshire Police Authority, Warwickshire Probation Service
- Health bodies – NHS Warwickshire
- Learning bodies – The Warwickshire Further Education Colleges, Coventry & Warwickshire Learning & Skills Council, Connexions
- Voluntary organisations – The five district based Councils for Voluntary Services, Coventry & Warwickshire Chamber of Commerce, Coventry Diocese, Warwickshire Rural Community Council,

## NOTES TO THE CORE FINANCIAL STATEMENTS

Greater Warwickshire Sports Partnership, Warwickshire Race Equality Partnership, Coventry and Warwickshire Infrastructure Consortium

- Non-Statutory Organisations - The five district based Local Strategic, Partnerships Warwickshire Association of Local Councils, Coventry Solihull and Warwickshire Partnership

Warwickshire County Council acts as the accountable body for the Local Area Agreement. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but do not determine which bodies are due payments – this is determined by either the Government Office or the partnership.

The full amount of Local Area Agreement Grant received by the Local Strategic Partnership in 2007/08 is £9.321 million. Warwick District Council received an allocation of £122,543.01 of this total to fund our own services. Under current guidance only our allocation of £122,543.01 will be recognised as income and accounted for on an accruals basis.

### 7. Members' Allowances

In England, the Local Authorities (Members Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and the maximum amounts payable in respect of certain allowances.

The total value of allowances paid to this authority's members during 2007/08 were:

	2007/08 £'000	2006/07 £'000
<b>Allowances:</b>		
Basic	206	201
Special Responsibility	52	51
<b>Total Allowances</b>	<u>258</u>	<u>252</u>

Details of the amounts paid to individual members may be obtained from The Head of Finance, Warwick District Council, P.O. Box 2180, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire CV32 5QW.

### 8. Officers' Emoluments

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

	Number of Employees	
	Total 2007/08	Total 2006/07
£50,000 - £59,999	4	5
£60,000 - £69,999	5	4
£70,000 - £79,999	1	1
£80,000 - £89,999	-	-
£90,000 - £99,999	1	-
£100,000 - £109,999	-	-
£110,000 - £119,999	1	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. Related Party Transactions

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. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Has effective control 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). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

#### Warwickshire County Council and Warwickshire Police Authority

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in note 24 to the Core Financial Statements.

#### Precepting Bodies

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2007/08 the total precepts issued totalled £978,631. The major preceptors were:

	£'000
Warwick Town Council	270
Royal Leamington Spa TC	266
Kenilworth Town Council	117
Whitnash Town Council	76

#### Council Members and Chief Officers

Council Members make disclosures of their pecuniary and non-pecuniary interests in the Members' Register, and also have to make declarations on individual committee agenda items. In addition to Council Members, the Chief Executive and three Strategic Directors also make annual declarations in respect of any Related Party Transactions they may have.

Council Members have direct control over the Council's financial and operating policies. Grants totalling £202,875 were paid to voluntary organisations in which fourteen members had an interest. 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. The major grants awarded were:

	£'000
Citizens' Advice Bureau	94
Hill Close Gardens Trust	25
Warwickshire Race Equality Partnership	24
Warwick District Mobility Ltd	15
Action 21	13
Warwickshire Energy Efficiency Advice Centre	13

In addition, three councillors are on the board of South Warwickshire Tourism Limited - during 2007/08 the Council made a contribution of £236,681 (£230,686 in 2006/07) towards their activities.

The Council also made payments amounting to £235 (£1,290 in 2006/07) to the Coventry, Solihull and Warwickshire Partnership (CSWP) in respect of its contribution towards the CSWP's support costs. 1 WDC Councillor is on the CSWP board.

Details of Members' Allowances and Officer Salaries are disclosed in notes 7 and 8 respectively.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. Audit Costs

In 2007/08 the Council incurred the following fees relating to external audit and inspection:

	2007/08 £'000	2006/07 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	77	72
Fees payable to the Audit Commission in respect of statutory inspection	33	34
Fees payable to the Audit Commission for the certification of grant claims and returns	40	33
Fees payable in respect of other services provided by the appointed auditor	1	2
<b>TOTAL PAID</b>	<b>151</b>	<b>141</b>

The fees for other services payable in 2007/08 is in respect of the National Fraud Initiative.

### 11. Operating Leases

The Council uses photocopiers, printers and telephone equipment financed under terms of operating leases. The amount paid under these arrangements during 2007/08 was £44,253 (2006/07 £43,700).

The Council was committed at 31 March 2008 to making payments of £37,675 under operating leases in 2008/09, comprising the following elements:

Leases expiring in 2008/09	£297
Leases expiring between 2009/10 and 2013/14	£36,802
Leases expiring after 2013/14	£576

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### 12. Contingent Liabilities

There has been a long running discussion between the Council and Warwickshire County Council in respect of the amount of the Land Charges fees collected that are due to the County Council for the elements of the search enquiries that they complete. The County Council is claiming an additional amount for past years' work up to a maximum of £107,000. It has been agreed by both parties that an independent person of some legal standing be appointed to arbitrate on the matter.

The Council previously leased offices in Leamington. Upon termination of the lease there is a dispute about the level of dilapidations required. The Council has put £35,000 aside in what it considers to be a fair settlement. However, the landlord is claiming £92,000. Negotiations are ongoing.

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# NOTES TO THE CORE FINANCIAL STATEMENTS

## 13. Note of Reconciling items for the Statement of Movement on the General Fund Balance

2006/07 £'000		2007/08 £'000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
-	Amortisation of intangible fixed assets	-
(2,389)	Depreciation and impairment of fixed assets	(2,278)
	Excess of depreciation charged HRA Services over the Major Repairs	
(740)	Allowance element of Housing Subsidy	(468)
45	Government Grants Deferred amortisation	89
(1,291)	Write-downs of deferred charges to be financed from capital resources	(1,417)
(460)	Net loss on sale of fixed assets	(76)
(2,495)	Net charges made for retirement benefits in accordance with FRS 17	(2,679)
<u>(7,330)</u>		<u>(6,829)</u>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
-	Minimum revenue provision for capital financing	-
1,822	Capital expenditure charged in-year to the General Fund Balance	1,228
	Deferred premiums on the early repayment of debt transferred to General Fund Balance	2,084
-	Deferred premiums on the early repayment of debt transferred from General Fund Balance to Financial Instruments	(2,084)
-	Difference between stat debit/credit and amount recognised as income and expenditure in respect of financial instruments	398
(1,613)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,640)
1,712	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,616
<u>1,921</u>		<u>1,602</u>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
1,576	Housing Revenue Account Balance	2,087
-	Voluntary Revenue provision for capital financing	-
1,109	Net transfer to or from earmarked reserves	305
<u>2,685</u>		<u>2,392</u>
(2,724)	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(2,835)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Intangible Assets

	Balance at 1 April 2007 £'000	Expenditure £'000	Amount Repaid £'000	Balance at 31 March 2008 £'000
General Fund:				
- Purchased Software inc Licences	249	430	(437)	242
Housing Revenue Account:				
- Purchased Software inc Licences	-	57	(57)	-
<b>Total</b>	<b>249</b>	<b>487</b>	<b>(494)</b>	<b>242</b>

During the year software was purchased as shown below. The cost of this software has been amortised on a straight line basis over the period for which the Council will derive economic benefit:

WDP Joint Contact Centre Software: 5 years – Amount amortised to revenue £700

Microsoft Office upgrades: 3 years – Amount amortised to revenue £17,040

e-Consultation software: 10 years – Amount amortised to revenue £1,200



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 15. Summary of Capital Expenditure and Fixed Asset Disposals

### Movement on fixed assets

#### Operational assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, etc £'000	Infra- Structure £'000	Community Assets £'000	Total £'000
Certified Valuation at 31 March 2007	318,533	51,400	2,311	670	6,381	379,295
Accumulated Depreciation and impairment	-	-	-	-	-	-
<b>Net book value at 31 March 2007</b>	<b>318,533</b>	<b>51,400</b>	<b>2,311</b>	<b>670</b>	<b>6,381</b>	<b>379,295</b>

#### Movement in 2007/08:

Additions	3,730	1,033	2,291	211	29	7,294
Disposals	(2,348)	-	-	-	-	(2,348)
Revaluations	21,547	-	-	-	-	21,547
Transfers	-	1,139	-	-	28	1,167
Depreciation	(4,461)	(1,683)	(581)	(18)	(29)	(6,772)
Impairments	(76)	-	-	-	-	(76)
<b>Net book value at 31 March 2008</b>	<b>336,925</b>	<b>51,889</b>	<b>4,021</b>	<b>863</b>	<b>6,409</b>	<b>400,107</b>

#### Non-Operational assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total £'000
Certified Valuation at 31 March 2007	11,819	34	743	12,596
Accumulated Depreciation and impairment	-	-	-	-
<b>Net book value at 31 March 2007</b>	<b>11,819</b>	<b>34</b>	<b>743</b>	<b>12,596</b>
<b>Movement in 2007/08:</b>				
Additions	-	150	187	337
Disposals	(500)	-	(187)	(687)
Revaluations	50	-	-	50
Transfers	(1,160)	(17)	5	(1,172)
Depreciation	(3)	-	(26)	(29)
Impairments	-	-	-	-
<b>Net book value at 31 March 2008</b>	<b>10,206</b>	<b>167</b>	<b>722</b>	<b>11,095</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Capital Expenditure and Financing

	2007/08 £'000	2006/07 £'000
<b>Opening Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>
<b>Capital Investment:</b>		
Operational Assets	7,295	5,964
Non-Operational Assets	150	12
Intangible Assets / Deferred Charges	2,026	2,266
<b>Sources of Finance:</b>		
Capital Receipts	(3,955)	(1,651)
Government grants and other contributions	(1,413)	(1,639)
Sums set aside from revenue	(4,103)	(4,952)
<b>Closing Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>

Capital expenditure during the year amounted to £9.47m. It should be noted that capital expenditure does not necessarily increase the capital value of assets. For example, the majority of expenditure that results in Intangible Assets / Deferred Charges (£2.026m in 2007/08) is written off in the year that it arises since there is no physical asset created (e.g. Environmental Health Improvement Grants) which is owned by the Council.

The main items of capital expenditure in 2007/08 were:

	£'000
<b>General Fund Capital Programme:</b>	
Refuse / Recycling	1,211
e-government and ICT Strategy	1,158
Corporate Properties	380
Car Park Refurbishments / Enhancements	350
Purchase of Oakley Woods	330
Environmental Works	204
<b>Housing Investment Programme:</b>	
Housing Associations - Grants re new Dwellings / Improvements	600
Housing Improvements - Improvements / Renewals	3,507
- Renovation Grants	380
- Equipment / Software	257
- Purchase of Property	218

### Significant capital expenditure projects in 2008/09 include:

<b>General Fund:</b>	
Regeneration - Leamington Old Town	1,804
Implementing e-government / New I.T. Systems	1,172
Leisure Developments	646
Conservation and Environmental Development	508
Office Alterations	287
Car Park Refurbishments / Enhancements	260
Regeneration - Rural Initiatives	250
Flood Alleviation Schemes	224
St. Mary's Lands Development	207
<b>Housing Investment Programme:</b>	
Council House Improvements / Renewals	5,898
Renovation Grants and Disabled Facilities Grants	1,063
Housing Associations - Grants re New Dwellings / Improvements	800
Equipment	199

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Significant contracts outstanding from 2007/08 (included in 2008/09 figures

£'000

#### General Fund Capital Programme:

Regeneration - Leamington Old Town	1,804
Other e-Government and ICT Strategy Projects	624
Conservation and Environmental Development	408
Office Alterations	287
Flood Alleviation Schemes	224

#### Housing Investment Programme:

Council House Improvements / Renewals	1,149
Housing Association Schemes	400
Renovation Grants and Disabled Facilities Grants	273

## 16. Statement of Physical Assets

The Council maintained the following assets at 31 March 2008:

	Nos.		Nos.
Council Dwellings (H.R.A. and Others)	5,803	Cemeteries	4
Council Garages (H.R.A. and Others)	2,063	Crematorium	1
Town Hall	1	Parks and Open Spaces (acres)	1,070
Offices	3	Athletics Track	1
Depot	1	Golf Course	1
Multi-Storey Car Parks	3	Golf Shop	1
Surface Car Parks	20	Bowling Greens: Victoria Park	1
Theatre / Entertainment Suites	2	Public Conveniences	10
Recreation Centres	3	Vehicles	5
Leisure Centres	2	Catering Premises	7
Swimming Pools	1	Shops and Other Properties (2 leased)	115
Community Centre	1	Temperate House, Jephson Gardens	1
Museum and Art Gallery	1	All Weather Pitch	1
Sports Pavilions	2	Oakley Woods	1

## 17. Assets held under Finance Leases

	Original Book Value £'000	Accumulated Depreciation to 31 March 2007 £'000	Gross Book Value 31 March 2007 £'000	Additions / Depreciation 2007/08 £'000	Gross Book Value 31 March 2008 £'000
Other Land & Buildings	1,371	942	429	(8)	421

Leased properties during 2007/08 were Talisman Square Car Park and the United Reform Church. The car park lease terminated in 2007/08 and the remaining property is the United Reform Church. The principal element of the annual rents paid during 2007/08 was £7,918. Amounts payable on these properties in future years are as shown below:

2008/09	£4,238
Between 2009/10 and 2013/14	£40,936
After 2013/14	£376,181

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Fixed Asset Valuations

The values of the Council Dwellings in note 15 above are based on valuations at 1st April 2007. The revaluations were undertaken externally by Mr. B. Franklin MRICS for the District Valuer.

The values of the General Fund fixed assets are based on valuations at 1st April 2004. The revaluations were undertaken externally by Mr. I. Wilson MRICS for the District Valuer.

In both of the above cases, where appropriate, the valuations have been increased since the valuation dates by expenditure on the assets, which serves as a proxy for current cost increases until the next valuations are due to take place. For all other assets the Council is not aware of any material changes in value and, therefore, the valuations have not been updated.

Operational Fixed Assets, excluding Community Assets, are valued at open market value or depreciated replacement cost. Community Assets and Infrastructure Assets are valued at historical cost.

Non-Operational Fixed Assets are valued at open market value.

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

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, etc. £'000</b>	<b>Total £'000</b>
Valued at historical cost	3,730	11,408	4,021	19,159
Valued at current value in:				
- 2007/08	332,943	-	-	332,943
- 2004/05	250	58,133	-	58,383
- 1999/00	-	295	-	295
<b>Total</b>	<b>336,923</b>	<b>69,836</b>	<b>4,021</b>	<b>410,780</b>

The above figures exclude leased assets valued at £421,344 (see note 17).

### 19. Analysis of Net Assets Employed

	<b>31 March 2008 £m</b>	<b>31 March 2007 £m</b>
General Fund	117	123
Housing Revenue Account	297	274
<b>Total</b>	<b>414</b>	<b>397</b>

The comparative figures for 2007 have been restated to reflect the accounting changes in the 2007 SORP.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. Investments - Related Businesses and Companies

The Council has an interest in the following company:

#### South Warwickshire Tourism Limited

The principal activity of the company is to develop and promote tourism in South Warwickshire. The company was set-up by Warwick District Council, Stratford-on-Avon District Council and various tourism related businesses within the area. During 2007/08 Warwick District Council's contribution was £236,681 (£230,686 in 2006/07). Annual turnover of the company is £1.12m (£1.2m in 2006/07). The company has 405 members at 31 March 2008 (405 at 31 March 2007) each guaranteeing an amount not exceeding £1 (Warwick District Council holds 0.25% of the total share holding). There are 13 directors on the company's board of which 3 are Warwick District Council members.

The financial performance of the company is as follows:

	2007/08 £	2006/07 £
Net Assets at 31 March		81,171
Profit / (Loss) before tax		(19,520)
Profit / (Loss) after tax		(19,520)

A copy of the audited accounts can be obtained from South Warwickshire Tourism Limited, E12 Holly Court, Holly Farm Business Park, Honiley, Kenilworth, Warwickshire, CV8 1NP.

### 21. Insurance Provisions

Provisions include insurance cover in respect of outstanding claims from the public. The extent of the provisions relates to the excesses on existing claims as at 31 March 2008 where such excesses have been negotiated when agreeing premiums. Provision for these insurance commitments is £467,075. A separate Provision is maintained for the General Fund (£337,432) and the Housing Revenue Account (£129,643).

Movements on the provisions during the year as follows:

	Balance at 1 April 2007 £'000	Transfers To Provision £'000	Transfers From Provision £'000	Balance at 31 March 2008 £'000
General Fund:				
- Insurance Provision	337	2	(53)	286
Housing Revenue Account:				
- Insurance Provision	130	214	(22)	322
<b>TOTAL</b>	<b>467</b>	<b>216</b>	<b>(75)</b>	<b>608</b>

### 22. Note to the Accounts relating to the implementation of the Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts 2006/07 to accommodate the implementation of the Revaluation Reserve (see Financial Summary note 9). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £307m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£84m credit balance) to form the new Capital Adjustment Account with a balance of £391m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2007 £'000	Net Movement in Year £'000	Balance 31 March 2008 £'000	Purpose of Reserve	Further Detail of Movements
Revaluations Reserve	-	21,547	21,547	Store of gains on revaluation of fixed assets not yet realised through sales	(a) below
Capital Adjustment Account	390,944	(3,192)	387,752	Store of capital resources set aside to meet past expenditure	(b) below
Available-for-Sale Financial Instruments Account	-	-	-	Store of gains on revaluation of investments not yet realised through sales	(c) below
Financial Instruments Adjustment Account	(2,084)	398	(1,686)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(d) below
Usable Capital Receipts	6,206	(109)	6,097	Proceeds of fixed asset sales available to meet future capital investment	(e) below
Pensions Reserve	(17,114)	(6,927)	(24,041)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 24 to the Core Financial Statements, page 37
Housing Revenue Account	4,048	2,086	6,134	Resources available to meet future running costs for council houses	HRA Statements, page 42
Major Repairs Reserve	3,161	1,096	4,257	Resources available to meet capital investment in council housing	MRR Statement, page 49
General Fund	1,100	2,417	3,517	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 16
Earmarked Reserves	11,017	(586)	10,431	Resources set aside to meet future capital expenditure and for specific revenue schemes	(f) below
Collection Fund Balance	(30)	24	(6)	Element of Collection Fund Surplus / (Deficit) attributable to WDC	See Collection Fund Note 5, page 52
<b>Total</b>	<b>397,248</b>	<b>16,754</b>	<b>414,002</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (a) Revaluations Reserve:

	£'000
<b>Balance 1 April 2007</b>	-
Gains and losses transferred during the year from revenue or credited / debited direct to the reserve	21,547
Transactions with other reserves during the year	-
<b>Balance 31 March 2008</b>	<u><u>21,547</u></u>

### (b) Capital Adjustment Account:

	£'000	£'000
<b>Balance brought forward 1 April 2007</b>		<b>390,944</b>
Credits to the Reserve:		
- Government Grants Deferred written out	89	
- Capital Expenditure financed from Capital Receipts	3,955	
- Capital Expenditure financed from Revenue and Reserves	4,477	8,521
		<u>399,465</u>
Debits to the Reserve:		
- Intangible Assets written out	(2,017)	
- Other Partners' Share of WDP 2007/08 expenditure written out	(18)	
- Housing Advances principal repaid	(2)	
- Minimum Revenue Provision (M.R.P.) - net of depreciation	(6,801)	
- Reversal of Fixed Assets Gains / Losses	(2,875)	(11,713)
<b>BALANCE CARRIED FORWARD 31 MARCH 2008</b>		<u><u>387,752</u></u>

### (c) Available-for-sale Financial Instruments Account:

	£'000
<b>Balance 1 April 2007</b>	-
Gains and losses transferred during the year from revenue or credited / debited direct to the reserve	-
Transactions with other reserves during the year	-
<b>Balance 31 March 2008</b>	<u><u>-</u></u>

### (d) Financial Instruments Adjustment Account:

	£'000
<b>Balance 1 April 2007</b>	<b>(2,084)</b>
Overhanging Premia transferred to Account / Amortised to revenue in year	398
Transactions with other reserves during the year	-
<b>Balance 31 March 2008</b>	<u><u>(1,686)</u></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

(e) Useable Capital Receipts:

	£'000	£'000
<b>Balance brought forward 1 April 2007</b>		<b>6,206</b>
Useable Capital Receipts Received		
- General Fund	3,064	
- Housing Revenue Account	2,422	5,486
		<hr/>
		11,692
Amount payable to Housing Capital Receipts Pool		(1,640)
Capital Expenditure financed in year		
- General Fund	(2,992)	
- Housing Revenue Account	(963)	(3,955)
	<hr/>	<hr/>
<b>BALANCE CARRIED FORWARD 31 MARCH 2008</b>		<b>6,097</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### (f) Earmarked Reserves

	Balance 1 April 2007 £'000	Net Surplus / Deficit (-) for Year £'000	Balance 31 March 2008 £'000
<b><u>GENERAL FUND</u></b>			
<b>Capital Reserves</b>			
Car Parks Commuted Sums	138	(138)	-
Capital Investment	2,154	63	2,217
<b>Specific Revenue Reserves</b>			
Grounds Maintenance Commuted Sums	679	(39)	640
Corporate Property	229	(72)	157
Insurance	434	(94)	340
Election Expenses	70	(68)	2
Art Fund	37	1	38
Energy Management	32	(7)	25
Best Value	104	(44)	60
Assembly Rooms Repairs and Renewals	11	(1)	10
Art Gallery Gift	56	-	56
Planning Appeals	334	(94)	240
Early Retirement	430	72	502
Building Control	62	(7)	55
Equipment Renewals	918	325	1,243
Gym Equipment	30	31	61
Earmarked Revenue Expenditure slipped from 2006/07 to 2007/08	997	(997)	-
Earmarked Revenue Expenditure slipped from 2007/08 to 2008/09	-	934	934
<b>TOTAL GENERAL FUND</b>	<b>6,715</b>	<b>(135)</b>	<b>6,580</b>
<b><u>HOUSING REVENUE ACCOUNT</u></b>			
<b>Housing Repairs Reserves</b>			
Housing Repairs Account	4,274	(462)	3,812
<b>Specific Revenue Reserves</b>			
Housing Early Retirement	28	11	39
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>4,302</b>	<b>(451)</b>	<b>3,851</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>11,017</b>	<b>(586)</b>	<b>10,431</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 24. Retirement Benefits

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement 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 the Local Government Pension Scheme administered by Warwickshire County Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

### Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2007/08 £'000	2006/07 £'000
<b>Income and Expenditure Account</b>		
Net Cost of Services:		
- current service cost	1,870	2,090
- past service costs	611	109
- loss on curtailment	29	158
Net Operating Expenditure:		
- interest cost	4,454	4,096
- expected return on assets in the scheme	(4,285)	(3,958)
<b>Net Charge to the Income and Expenditure Account</b>	<b>2,679</b>	<b>2,495</b>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in Accordance with FRS17	(2,679)	(2,495)
<b>Effect on Council Tax</b>	<b>-</b>	<b>-</b>
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable to scheme	1,616	1,712

### Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	31 March 2008 £'000	31 March 2007 £'000
Estimated liabilities in scheme	(86,179)	(83,940)
Estimated assets in scheme	62,138	66,826
<b>Net asset / (liability)</b>	<b>(24,041)</b>	<b>(17,114)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £24.041m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy - the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Warwickshire County Council Fund liabilities have been assessed by William M. Mercer, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions in their calculations have been:

	2007/08	2006/07
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	5.4%	4.9%
Rate of increase in pensions	3.6%	3.1%
Rate for discounting scheme liabilities	6.1%	5.4%
Take-up option to convert annual pension into retirement grant	50.0%	50.0%

Assets in the Warwickshire County Council Pension Fund are valued at fair value, principally market value for investments, totalling £1,061m for the Fund as a whole at 31 December 2007 (£966m at 31 December 2006). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	Expected Return	31 March 2008 £'000		31 March 2007 £'000	
Equities	7.50%	40,824	65.7%	52,926	79.2%
Government Bonds	4.60%	5,655	9.1%	8,086	12.1%
Other Bonds	6.10%	9,010	14.5%	5,346	8.0%
Property	6.50%	2,610	4.2%	-	0.0%
Cash / Liquidity	5.25%	870	1.4%	468	0.7%
Other assets	7.50%	3,169	5.1%	-	0.0%
		<b>62,138</b>	<b>100.0%</b>	<b>66,826</b>	<b>100.0%</b>

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	7,423	14.9%	1,312	2.5%	8,776	13.8%	(523)	0.8%	(6,790)	10.9%
Differences between actuarial assumptions about liabilities and actual experience	-	0.0%	(979)	1.3%	(1,708)	2.0%	-		4,200	4.9%
Changes in demographic and financial assumptions used to estimate liabilities	-	0.0%	(12,086)	16.6%	(6,421)	7.7%	4,132	4.9%	(3,274)	3.8%
	<b>7,423</b>		<b>(11,753)</b>		<b>647</b>		<b>3,609</b>		<b>(5,864)</b>	

### Pension Fund Valuation

## NOTES TO THE CORE FINANCIAL STATEMENTS

The triennial actuarial valuation, which is required by law, takes a long term view and assesses the ability of the fund to meet its future liabilities. The actuary assesses the difference between the fund's projected assets and liabilities and determines the amount employers will be required to contribute. The fund aims to set employers' contributions rates so that the projected assets equal at least 100% of the projected liabilities.

At the last valuation (31 March 2007) the actuary concluded that the funding level had increased to 86% from its previous level of 82%. A plan has been put in place to increase the employer's contribution rate over a period of 6 years commencing 2005/06 in order to restore the funding level to 100%.

There is an inconsistency between the total scheme assets as determined by the actuary and the total scheme assets as per the pension scheme accounts. This is because the actuary has estimated the value of assets using the actual return on assets to December 2007 and has estimated the return on assets for January to March 2008.

### 25. Categories of Financial Assets and Financial Liabilities

The Financial Assets and Liabilities in the Balance Sheet are analysed in the table below:

	£'000
<b>Financial Assets:</b>	
Loans and Receivables	35,905
Available for Sale Financial Assets	-
Unquoted Equity Investment at Cost	-
Fair Value through Profit and Loss	4,881
<b>Financial Liabilities:</b>	
Amortised Cost	(10,048)
Fair Value through Profit and Loss	-

During 2007/08 the Council did not reclassify or derecognise any Financial Assets or Financial Liabilities.

### 26. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Long Term		Current	
	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000
<b>Borrowings:</b>				
Financial Liabilities at amortised cost	-	-	455	541
Financial Liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<b>-</b>	<b>-</b>	<b>455</b>	<b>541</b>
<b>Investments:</b>				
Loans and receivables	11	11	14,315	24,500
Available for sale financial assets	-	-	-	-
Financial Liabilities at fair value through profit and loss	-	-	9,877	4,881
Unquoted equity investment at cost	-	-	-	-
<b>Total Investments</b>	<b>11</b>	<b>11</b>	<b>24,192</b>	<b>29,381</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. Reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement

2006/07 £'000		2007/08	
		£'000	£'000
-	General Fund Surplus		(2,417)
1,576	Housing Revenue Account Surplus		2,086
41	Collection Fund Surplus / (Deficit)		24
	<b>Add non-cash transactions:</b>		
-	M.R.P	-	
4,892	Direct financing of capital expenditure	-	
853	Contributions to / (from) earmarked reserves	-	-
<u>7,362</u>			<u>(307)</u>
	<b>Add Accruals basis items:</b>		
(76)	Increase / (decrease) in provisions	-	
3,571	Increase / (decrease) in revenue creditors	-	
1,394	(Increase) / decrease in debtors	-	
(2)	(Increase) / decrease in stocks and work in progress	-	-
<u>12,249</u>			<u>(307)</u>
	<b>Add Financing items shown in the Cash Flow Statement:</b>		
1	Interest Payable	-	
36	Interest element of finance lease rental payments	-	
(1,512)	Interest Receivable	-	-
<u>10,774</u>			<u>(307)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. Reconciliation of items under the Financing and Management of Liquid Resources sections of the Cash Flow Statement to the opening and closing Balance Sheets

1/4/06 £'000	31/3/07 £'000	Change £'000		1/4/07 £'000	31/3/08 £'000	Change £'000
-	-	-	<b>Liquid Resources</b>	-	-	-
13,075	14,192	1,117	Short Term Deposits	14,192	4,881	(9,311)
			Other Liquid Assets			
13,075	14,192	1,117		14,192	4,881	(9,311)
5,351	10,000	4,649	<b>Non-Liquid Resources</b>	10,000	24,500	14,500
			Fixed Term deposits, etc.			
18,426	24,192	5,766	<b>Short Term Investments</b>	24,192	29,381	5,189

### 29. Liquid Resources

Liquid Resources are defined as "current asset investments held as readily disposable stores of value i.e. disposable without curtailing or disrupting an authority's activities, and either readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market."

Using the above definition the item shown in the Balance Sheet as "Short Term Investments" has been analysed to identify cash deposited at periods from Call to 7-day notice and to investments in Certificates of Deposits and Gilts managed by the Council's external investment brokers (INVESCO). Note 27 provides the necessary reconciliation between the Cash Flow Statement and the Income and Expenditure Account.

### 30. Analysis of Government Grants in the Cash Flow Statement

2006/07 £'000		2007/08 £'000
1,020	Local authority Business Growth Incentive	0
891	Housing Benefit Administration	0
245	Planning Delivery	0
216	Contribution towards Non-Domestic Rate collection	0
111	Disabled Facilities	0
107	Safer and Stronger Communities	0
58	Waste Performance Efficiency	0
50	Local Public Service Agreement	0
14	Elections	0
12	Smokefree Legislation	0
12	Implementation of Homelessness Act 2002	0
0	SRB	0
0	Implementing e-government	0
0	Communities Against Drugs	0
0	Safer Communities	0
0	Warwickshire On-Line Partnership	0
0	Recycling	0
2,736	<b>Total Government Grants</b>	<b>0</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. Reconciliation of net cash flow to the Movement in Net Debt

	£'000
<b>Increase / (decrease) in cash in the period</b>	<b>(9,311)</b>
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	0
	<u>          </u>
<b>Change in net debt resulting from cash flows</b>	<b>(9,311)</b>
Non-cash changes in debt	0
Net Debt at 1 April 2007	<u>(354)</u>
<b>Net Debt at 31 March 2008</b>	<b><u>(9,665)</u></b>

### 32. Analysis in the Movement in Net Debt

	1 April 2007 £'000	Cash Flows £'000	Non-Cash Flows £'000	31 March 2008 £'000
Cash at bank	-	-	-	-
Bank Overdraft	75	(9,311)	-	(9,236)
Debt Due within 1 year	-	-	-	-
Debt Due after 1 year	-	-	-	-
Finance Leases	(429)	-	-	(429)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>(354)</b>	<b>(9,311)</b>	<b>-</b>	<b>(9,665)</b>

### 33. Post Balance Sheet Events

There are no post balance sheet events to report.

### 34. Authorisation of Accounts for issue

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 16 June 2008.

## HRA INCOME AND EXPENDITURE ACCOUNT

Actual 2006/07 £'000		Notes	Actual 2007/08 £'000
	<b>INCOME</b>		
(17,379)	Dwelling Rents		(18,452)
(707)	Non-Dwelling Rents		(737)
(226)	Charges for Services and Facilities		(360)
(584)	Contributions Towards Expenditure		(512)
<hr/>			<hr/>
(18,896)	<b>TOTAL INCOME</b>		<b>(20,061)</b>
	<b>EXPENDITURE</b>		
3,198	Repairs and Maintenance		3,367
4,404	Supervision and Management		4,502
22	Rents, Rates, Taxes and Other Charges	5	42
113	Increased Provision for Bad Debts		199
5,105	Negative Housing Revenue Account Subsidy Payable	9	5,340
3,711	Depreciation and Impairment of Fixed Assets		3,970
<hr/>			<hr/>
16,553	<b>TOTAL EXPENDITURE</b>		<b>17,420</b>
	<b>Net Cost Of HRA Services per Authority Income and Expenditure Account</b>		
(2,343)			(2,641)
70	HRA services share of Corporate and Democratic Core		72
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		-
<hr/>			<hr/>
(2,273)	<b>Net Cost of HRA Services</b>		<b>(2,569)</b>
460	Gain or Loss on sale of HRA fixed assets		76
-	Interest payable and similar charges		-
	Pensions Interest Cost		
9	Expected Return on Pensions Assets	10	11
679	Amortised Premiums and Discounts		638
(555)	Interest and Investment Income		(782)
<hr/>			<hr/>
(1,680)	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(2,626)</b>
<hr/>			<hr/>



## STATEMENT OF MOVEMENT ON THE HRA BALANCE

Actual 2006/07 £'000		Notes	Actual 2007/08 £'000
(1,680)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		(2,626)
104	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	11	540
(1,576)	<b>(Increase) or decrease in the Housing Revenue Account Balance</b>		<b>(2,086)</b>
(2,472)	Housing Revenue Account surplus brought forward		<b>(4,048)</b>
(4,048)	Housing Revenue Account surplus carried forward		<b>(6,134)</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Housing Stock

The Council was responsible for managing the following Council dwellings included in the Housing Revenue Account.

	<b>31 March 2008 Nos.</b>	<b>31 March 2007 Nos.</b>
Houses	<b>2,516</b>	2,530
Flats	<b>2,437</b>	2,445
Bungalows	<b>670</b>	670
	<b><u>5,623</u></b>	<b><u>5,645</u></b>

The change in housing stock can be summarised as follows:

	<b>2007/08 Nos.</b>	<b>2006/07 Nos.</b>
Stock at 1 April	<b>5,645</b>	5,677
Purchases	<b>1</b>	-
Sales	<b>(23)</b>	(32)
Conversions	-	-
Other Disposals	-	-
Change of Use	-	-
	<b><u>5,623</u></b>	<b><u>5,645</u></b>

## 2. Housing Revenue Account Fixed Assets

The total Housing Revenue Account fixed assets can be analysed as follows:

	<b>1 April 2007 £'000</b>	<b>31 March 2008 £'000</b>
Operational Assets:		
- Dwellings	312,600	330,876
- Other Properties	5,683	5,799
- Land	250	250
Non-Operational Assets	-	-
<b>Total Balance Sheet Items</b>	<b><u>318,533</u></b>	<b><u>336,925</u></b>

## 3. Valuation of Dwellings

The 'vacant possession' value of dwellings represents the open market value of the housing stock, whilst the Balance Sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction of 51% on the market valuations) is the 'Economic Cost' to the Government of providing council housing at less than open market rents.

	<b>1 April 2007 £'000</b>	<b>1 April 2006 £'000</b>
Vacant Possession Value of Dwellings	<b>678,619</b>	641,580
Balance Sheet Value of Dwellings	<b>333,423</b>	315,301
<b>Economic Cost to Government</b>	<b><u>345,196</u></b>	<b><u>326,279</u></b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

It should be noted that the above values are based on revaluations at 1<sup>st</sup> April and, therefore, are not comparable with the values shown in the Balance Sheet on page 18. The figures above exclude leased dwellings.

### 4. Summary of Capital Expenditure

	2007/08 £'000	2006/07 £'000
Government Grant	6	-
Internal Borrowing	-	-
Prudential Borrowing	-	-
Usable Capital Receipts	247	48
Revenue and Other Contributions	1,328	888
Major Repairs Reserve	2,407	3,383
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>3,988</b>	<b>4,319</b>

### 5. Intangible Assets

During 2007/08 the Housing Revenue Account incurred capital expenditure amounting to £58,051 on Intangible Assets which is capital expenditure incurred by the Council on non-physical assets. Of this, £1,475 was spent on Assisted Elderly Persons Transfer Scheme Payments enabling elderly people to move to more suitable accommodation freeing up larger housing stock for families. A further £56,576 was spent on the new Housing Management System Software. In the latter case there is no definite life over which to amortise the cost so together with the expenditure on Assisted Elderly Persons Transfer Scheme the entire cost was amortised to revenue in 2007/08.

### 6. Summary of Capital Receipts

	2007/08 £'000	2006/07 £'000
Sale of Council Houses	2,129	2,808
Sale of Land	222	97
Repayment of Discount	43	61
Housing Advances Repaid	-	3
Sale of Council Houses Advances Repaid	28	18
Repayment of Grants	-	15
<b>TOTAL CAPITAL RECEIPTS</b>	<b>2,422</b>	<b>3,002</b>

### 7. Depreciation of Fixed Assets

The total charge for depreciation for property within the Housing Revenue Account is:

	2007/08 £'000	2006/07 £'000
Operational Assets (Dwellings, Other Land, Buildings)	4,461	4,136
Non-Operational Assets	-	-
<b>TOTAL DEPRECIATION</b>	<b>4,461</b>	<b>4,136</b>

A full valuation of the stock has to be undertaken every 5 years and the latest one was carried out during 2006/07.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 8. Bad or Doubtful Debts

Net rent arrears amounted to £1,028,776 at 31 March 2008 (£1,034,873 at 31 March 2007). They consist of current rent arrears, long term rent arrears and prepayments. During 2007/08, the current rent arrears (dwellings and garages) increased from £617,725 to £689,438. As a proportion of net rent collectable (gross rent net of housing benefit payments), it increased from 6.71% to 7.46%. Total arrears increased from £864,398 to £973,164 proportionally, a rise from 9.39% to 10.52%. The aggregate provision for uncollectable debts is £723,120 as at the 31 March 2008.

### 9. Sums Directed by the Secretary of State to be Debited to the Housing Revenue Account

Subsidy is calculated using a "model" of an authority's Housing Revenue Account. Figures used in the model are based on annual assumptions made by the Government on rents to be charged, expenditure on management and maintenance, "notional" ( not actual ) costs of loan charges and various other items of income and expenditure. Any "surplus" which is produced is debited to the Housing Revenue Account and paid to the Government as a contribution to the National Housing Rent Pool as "sums Directed by the Secretary of State". In 2007/08, the contribution payable was £5.490m (£5.105m in 2006/07). The audited final subsidy claim for 2006/07 was adjusted for changes in interest rates resulting in a reduced payment £150,000 to the National Housing Rent Pool. This reduced the Negative Housing Revenue Account Subsidy Payable figure in the Income and Expenditure Account by £150,000 to £5.340m

The calculation is as follows:

	2007/08 £'000	2006/07 £'000
<b><u>CREDITS:</u></b>		
Rents	18,887	17,710
Other Income	6	8
<b>TOTAL CREDITS</b>	<b>18,893</b>	<b>17,718</b>
<b><u>DEBITS</u></b>		
Management and Maintenance	7,621	7,536
Major Repairs Allowance	3,502	3,437
Loan Charges	1,574	1,349
Other Allowances	706	291
Balance to National Housing Pool	5,490	5,105
<b>TOTAL DEBITS</b>	<b>18,893</b>	<b>17,718</b>

### 10. H.R.A. – Accounting for Pensions under FRS17

The following transactions have been made in the H.R.A. Income and Expenditure Account and Statement of Movement in the H.R.A. Balance during the year:

## NOTES TO THE HOUSING REVENUE ACCOUNT

	2007/08 £'000	2006/07 £'000
<b>Income and Expenditure Account</b>		
Net Cost of Services:		
- current service cost	233	223
Net Operating Expenditure:		
- interest cost	290	279
- expected return on assets in the scheme	(279)	(270)
<b>Net Charge to the Income and Expenditure Account</b>	<b>244</b>	<b>232</b>
<b>Statement of Movement in the Housing Revenue Account Balance</b>		
Reversal of net charges made for retirement benefits in Accordance with FRS17	(244)	(232)
<b>Effect on Housing Rents</b>	<b>-</b>	<b>-</b>
Actual amount charged against the Housing Revenue Account		
Balance for pensions in the year:		
- employer's contributions payable to scheme	176	172

### 11. Note of Reconciling items for the Statement of Movement on the HRA Balance

2006/07 £'000		2007/08 £'000
	<b>Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</b>	
	Difference between amounts charged to Income and Expenditure for amortisation of premiums and the charge for the year determined in accordance with statute	-
(460)	Gain or loss on the sale of HRA fixed assets	(76)
-	Net loss on sale of fixed assets	
(232)	Net charges made for retirement benefits in accordance with FRS 17	(244)
(692)		(320)
	<b>Amounts not included in the HRA Income and Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year</b>	
(274)	Transfer to / (from) Major Repairs Reserve	(468)
900	Transfer to / (from) Housing Repairs Account	946
(2)	Net transfer to or from earmarked reserves	206
-	Capital Expenditure funded by the HRA	-
172	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	176
796		860
104	<b>Net additional amount required to be debited to the HRA balance for the year</b>	<b>540</b>

## HOUSING REPAIRS ACCOUNT

This account is used to keep a separate record of income and expenditure relating to the repair and maintenance of the authority's dwellings. The balance on this account cannot fall into debit, though credit balances can be carried forward in order to fund future years' capital and revenue expenditure.

Actual 2006/07 £'000		Notes	Actual 2007/08 £'000
<b>INCOME</b>			
(4,098)	Contribution from Housing Revenue Account		(4,312)
(3)	Service Charges		(4)
<hr/> (4,101)	<b>TOTAL INCOME</b>		<hr/> (4,316)
<b>EXPENDITURE</b>			
1,366	Major Works Programme		1,518
1,820	Routine Maintenance		1,932
888	Revenue Contribution to Capital Outlay	1	1,328
<hr/> 4,074	<b>TOTAL EXPENDITURE</b>		<hr/> 4,778
(27)	<b>Net (Surplus) / Deficit to Balances</b>		462
(4,247)	Balance Brought Forward		(4,274)
<hr/> (4,274)	<b>Balance carried forward</b>	2	<hr/> (3,812)

### 1. Revenue Contribution to Capital Outlay

The Housing Repairs Account normally makes a contribution to support the Housing capital programme and in 2007/08 this was £0.9m (£0.9m in 2006/07).

### 2. Balance on Account

The balance on the account has decreased to £3.8m due to increased expenditure in all areas, but significantly the gas and electricity contracts within the Major Works Programme and additional contributions towards capital works funded by this account.

## HOUSING MAJOR REPAIRS RESERVE

Under the Resource Accounting regime there is a statutory requirement to keep a Major Repairs Reserve Account. The account holds an amount equivalent to the Major Repairs Allowance received as part of the subsidy payment. This allowance is approximately equivalent to the annual depreciation of the HRA dwelling stock. If the actual calculation for depreciation is different to this 'proxy', then appropriate adjustments, (to or from the HRA), are made via this account.

Actual 2005/06 £'000		Notes	Actual 2006/07 £'000
<b>INCOME</b>			
(3,436)	MRA Subsidy		(3,503)
(425)	Depreciation on Non-Dwelling Assets		(490)
(274)	Dwellings Depreciation Adjustment		(468)
<hr/>			
(4,135)	<b>TOTAL INCOME</b>		<b>(4,461)</b>
<hr/>			
<b>EXPENDITURE</b>			
3,383	MRA Contribution to Capital Expenditure	1	2,407
425	Non-Dwelling Assets Depreciation Adjustment	2	490
274	Dwellings Assets Depreciation Adjustment	3	468
<hr/>			
4,082	<b>TOTAL EXPENDITURE</b>		<b>3,365</b>
<hr/>			
(53)	<b>Net (Surplus) / Deficit to Balances</b>		<b>(1,096)</b>
(3,108)	Balance Brought Forward		(3,161)
<hr/>			
(3,161)	<b>Balance carried forward</b>	4	<b>(4,257)</b>
<hr/>			

### 1. MRA Contribution to Capital Expenditure

This is a contribution towards capital repairs, in order to maintain the housing stock in its current condition.

### 2. Depreciation on Non-Dwelling Assets

Under Housing Resource Accounting it is intended that the depreciation charged on non-dwelling assets (shops, community centres, offices and garages) should be a real charge on the H.R.A. However, the Department for Communities and Local Government has agreed that this should not be brought into effect at present so relevant adjustments are made through this reserve in order to ensure that, currently, there is a nil impact on the rent payer.

### 3. Dwellings Depreciation Adjustment

This reflects the difference between the MRA Subsidy and the actual calculation for depreciation. Adjustments are made via the Reserve to ensure there is a nil impact to the rent payer because of this difference.

### 4. Balance on Account

The balance on the account, at the end of March 2008 is £4.3m which can be used for capital expenditure in future years to help maintain the condition of the stock and increase the life of the property and number of tenancy years occupation. Under the new Housing Capital Finance regime it can also be used to repay the principal of loans incurred as part of the Council's Prudential Borrowing Strategy. It cannot, however, be used to pay for debt servicing costs i.e. repayment of interest due.

## COLLECTION FUND

Actual 2006/07 £'000		Notes	Actual 2007/08 £'000	Actual 2007/08 £'000
<b>INCOME</b>				
(59,016)	Income from Council Tax (net of benefits)			(62,654)
	Transfers from General Fund:			
(6,344)	- Council Tax Benefits			(6,604)
(52,531)	Income Collectable from Business Ratepayers			(53,871)
	Contributions towards earlier years' Collection Fund Deficit:			
(610)	- Warwickshire County Council		(319)	
(85)	- Warwickshire Police Authority		(44)	
(88)	- Warwick District Council		(46)	(409)
<u>(118,674)</u>	<b>TOTAL INCOME</b>			<u>(123,538)</u>
<b>EXPENDITURE</b>				
	Precepts and Demands:			
51,101	- Warwickshire County Council	4	53,914	
7,127	- Warwickshire Police Authority	4	7,526	
7,381	- Warwick District Council	4	7,792	69,232
	Business Rates:			
52,315	- Payment to National Pool		53,657	
216	- Warwick District Council		214	53,871
	Bad Debts and Appeals re Council Tax			
149	Write-offs		182	
18	Provision for Bad Debts and Appeals re Council Tax		38	220
<u>118,307</u>	<b>TOTAL EXPENDITURE</b>			<u>123,323</u>
<u>(367)</u>	<b>Net (Surplus) / Deficit for Year</b>			<u>(215)</u>
<b>BALANCES</b>				
638	Balance 1 April			271
(367)	(Surplus) / Deficit for Year			(215)
<u>271</u>	<b>Balance 31 March</b>	5		<u>56</u>
<b>TREATMENT OF COLLECTION FUND IN BALANCE SHEET:</b>				
	<u>Sundry Debtors:</u>			
211	Warwickshire County Council			44
30	Warwickshire Police Authority			6
	<u>Financing Items:</u>			
30	Collection Fund balance attributable to WDC			6
<u>271</u>				<u>56</u>



## NOTES TO THE COLLECTION FUND

### 1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The account is consolidated within the Council's accounts.

### 2. Council Tax

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings. It was calculated as follows:

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Dwellings
@	9.54	5 / 9	5.30
A	3,517.85	6 / 9	2,345.23
B	8,829.51	7 / 9	6,867.40
C	13,602.54	8 / 9	12,091.15
D	10,568.10	9 / 9	10,568.10
E	5,842.55	11 / 9	7,140.90
F	4,412.58	13 / 9	6,373.72
G	3,449.66	15 / 9	5,749.44
H	349.90	18 / 9	699.80
	<b>50,582.24</b>		<b>51,841.04</b>

Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties

(259.21)

**COUNCIL TAX BASE 2007/08**

**51,581.83**

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,342.17 the original estimated Council Tax income, including Council Tax Benefit, was £69.2m compared with the actual income credited to the Fund of £69.0m which is made up as follows:

	<b>£'000</b>
Council Tax (net of benefits, transitional relief, bad debts and write-offs)	62,434
Council Tax Benefits	6,604
<b>INCOME FROM COUNCIL TAX 2007/08</b>	<b>69,038</b>

### 3. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate of 44.4p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total rateable value of properties in the Warwick District area was £144,832,558 at 31 March 2008.

## NOTES TO THE COLLECTION FUND

### 4. Names of Significant Preceptors on the Collection Fund

The following authorities made significant demand on the Collection Fund during 2007/08:

Warwickshire County Council	£53,914,005.43
Warwick District Council	£7,792,075.00
Warwickshire Police Authority	£7,525,687.43

### 5. Accounting for the Collection Fund Balance

At Warwick District Council, the opening balance for the Collection Fund for 2007/08 was £270,904 deficit. At the end of the year, the assumptions about collection rates had reduced this to £55,753. On the basis that surpluses and deficits are shared with Warwickshire County Council and Warwickshire Police Authority (pro-rata to their respective precepts: 77.9% WCC; 10.9% WPA and 11.2% WDC), the Council accounted for the Collection Fund balance in its 2007/08 Statement of Accounts as follows:

- In the Balance Sheet at 31 March 2008, the Council included the £55,753 deficit on a disaggregated basis as a debtor of Warwickshire County Council and Warwickshire Police Authority (to the values of £43,415 and £6,060, respectively) and a £6,278 attributable deficit on the Collection Fund balance alongside the General Fund Balance.
- In the Statement of Total Recognised Gains and Losses, the attributable movement on the Collection Fund balance records a £24,000 gain (£30,000 loss - £6,000 loss = £24,000).

# THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority 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 Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Statement of Accounts Approved at Council Meeting 25 June 2008

Chair of the Council  
Councillor Mrs Judith Falp

## 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 C.I.P.F.A./L.A.S.A.A.C. Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Financial Officer has also:

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

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents fairly the financial position of Warwick District Council at 31 March 2008 and its income and expenditure in the year ended 31 March 2008.

Mary Hawkins C.P.F.A. BSc (Econ)  
Strategic Director and Chief Financial Officer  
Warwick District Council  
P.O. Box 1720  
Riverside House  
Milverton Hill  
Royal Leamington Spa  
Warwickshire  
CV32 5RL

# ANNUAL GOVERNANCE STATEMENT

## 1. SCOPE OF RESPONSIBILITY

Warwick District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Warwick District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Warwick District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Warwick District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.warwickdc.gov.uk](http://www.warwickdc.gov.uk) or can be obtained from the Chief Finance Officer. This statement explains how Warwick District Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) [England] Regulations 2006 in relation to the publication of a statement on internal control.

## 2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwick District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Warwick District Council for the year ended 31<sup>st</sup> March 2008 and up to the date of approval of the [annual report] and statement of accounts.

## 3 THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Authority's governance arrangements are as follows:

THEME 1: FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

### 3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

Following the elections in May 2007 a new Conservative administration was formed. The new administration started considering its new Corporate Strategy at the July 2007 Executive having taken on board the following

- i) the political intentions and ambitions of the political groups which are represented on the Council;

## ANNUAL GOVERNANCE STATEMENT

- ii) the previous Corporate Strategy – of which some elements may prove still to be of relevance;
- iii) the current Community Plan;
- iv) the Warwickshire Local Area Agreement (LAA);
- v) a review of the previous Corporate Strategy with lessons learned (carried out by an all party group of Councillors);
- vi) information of the quality of life in Warwick District (drawn from the County Council produced document Quality of Life 2006);
- vii) information from the most recent Householder Survey in the District.

and agreed a draft Corporate Strategy for consultation with managers, staff, unions, the community and key partners.

Following this consultation at its meeting in February 2008 the Executive recommended to Council, which then agreed seven Corporate Strategy Objectives along with the three priorities falling within each objectives. The Strategy also sets out a vision and mission; the targets for each priority; high level actions; the resource framework; the management and delivery framework and the process for monitoring and review.

The Portfolio holders agrees an annual portfolio holder statement setting out their key objectives for the year at the same time as agreeing the annual budget.

The process of consultation is part of the communication process and the final document is now being published on the Council's website and in hard format.

### **3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements**

The Council's vision would normally only be reviewed every four years when a new corporate strategy is developed. However during the period of each four-year strategy it will be reviewed as the following two key partnerships develop proposals

- the local strategic District partnership through the Sustainable Community Strategy
- the local strategic County partnership through the Local Area Agreement

At a special Executive meeting in April 2008 a report outlining changes to the Governance arrangements was agreed which can be summarised as follows:

- providing the necessary mechanism for the revised overview and scrutiny arrangements;
- extending the powers of the Standards Committee to provide the final health check on the Annual Governance Statement; this revision would also provide for an annual review of the Constitution which would enable it to be kept up to date more effectively;
- membership of the Standards Committee would be permitted to expand to allow for the establishment of the necessary panels to enable the handling of a predicted increase in workload as a result of the local determination of complaints; and
- revisions to the delegations to committees as a result of the above. Revisions to the powers of officers to coordinate with the above and to bring other aspects up to date.

This report also identified a number of further changes that will be required during 2008-09, as a result of Government directives or reviews of current practices.

### **3.3 Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources**

Performance reporting and management mechanisms ensure performance management is embedded into the core management structures of the organisation. Performance targets are set for the Top key indicators in the Corporate Strategy, and other important service performance measures are identified in the Service Plans and Portfolio holder statements. The Council regularly measures the experience of its services for users through the use of the

## ANNUAL GOVERNANCE STATEMENT

citizens' panel of approximately 1,000 representative local citizens (that is refreshed every three years) , and in addition through service specific local surveys from time to time.

The Council's online performance management system requires managers to input data on at least a quarterly basis. The system, introduced at the end of 2003, identifies indicators which have missed their target or are at risk of doing so and requires managers to provide an assessment of the reasons for this along with any appropriate corrective action. These indicators can be drawn together into reports to be used for team, service area and directorate meetings and portfolio holder briefings as well as forming the basis of reports to Corporate Management Team, Overview and Scrutiny Committees and the Executive. The Executive receives a report on performance every quarter. In addition portfolio holders review performance within their remit with the Heads of Services and Directors every quarter. There is a cycle of **quarterly meetings** relating specifically to performance management, that are set at the beginning of each year.

The Council also reviews performance by analysing complaints, both those made through the Ombudsman which were reported to both CMT and then the Audit & Resources Overview and Scrutiny Committee, and the Council's own complaints system, on which reports are presented to CMT.

During 2007-08 the Council agreed a new Neighbourhood structure with the County which has the aim of all tiers of Government getting closer to the community, and understanding quality from the user perspective. Other initiatives in place were

- on-line polls
- the ability for the public to communicate with Portfolio holders through the Council's website

Every year in December a report is prepared on the Council's spending in context showing services which have high relative spending, so Councillors are aware of the historic resource allocations and their potential impact in the context of commenting on the budget proposals. The Audit Commission's 'Use of Resources Assessment' scores the Council on Value for money and once again the Council received a score of 3 indicating that it is performing well and consistently above minimum standards in this area.

THEME 2: MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

### **3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and other functions, with clear delegation arrangements and protocols for effective communication.**

The Constitution sets out the respective responsibilities of Members and Officers. It specifically sets out the terms of reference for the Executive and Scrutiny Committees. The Standards Committee takes an active role in reviewing the Constitution and ensuring the levels of delegation are appropriate. Amendments necessary to the scheme of delegations were identified during the year and included in the revision to the Constitution as set out in Para 3.2 above. It has been identified that the Constitution could be improved to specifically refer to the general role of Councillors.

**There** is a management matrix which shows the relationship between portfolio area and service areas and relates to the Corporate Strategy and Community Plan, which has been communicated to all service managers and is used as part of the induction programme for new staff.

During the year there has been considerable uncertainty in the arrangements for managing Crime and Disorder as proposals for merger of functions with Stratford District Council have taken longer than expected to complete.

## ANNUAL GOVERNANCE STATEMENT

### **3.5 Reviewing and updating council procedure, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken**

The report on changes to the Constitution in April (see 3.2 above) identified that further changes will be required to the Constitution.

The Code of Financial Practice was recently reviewed in its entirety, with changes agreed by Council in February 2008. This was the first major review for over three years. The review was led by Finance so as to address limitations apparent in the Code, with CMT reviewing the proposals. The Code of Financial Practice is scheduled to be formally reviewed at least each year, with changes made as appropriate.

There is a standard report template which sets out the standard information required for a decision to be taken, and there is a protocol for officer attendance at Committees. There are guidance notes for officers on writing reports. However Committee Services have identified the need to set up a system to monitor the implementation of decisions.

THEME 3: PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

### **3.6 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Following the elections in May there was an induction programme for new members which included the code of conduct. In addition there has been specific training for members of the Standards Committee.

There is a [Member and Officer Protocol](#) and [Codes of Conduct for Members and Officers](#). This is embedded by regular review of member interests by the Standards Committee and a quarterly review of officer interests and declarations of gifts and hospitality by senior managers and CMT. As this is an area where constant vigilance is required the process of developing this statement had identified that further improvements could be made in order to remind both members and officers to make any declarations required.

During the year there was a Chief Officer grievance and the process of dealing with this has identified that the performance review arrangements need to be made clearer for Chief Officers. An external review of the legal service section has identified that work needs to be done to ensure the Monitoring Officer role is understood.

### **3.7 The processes and controls required to manage risks**

The Council approved a Risk Management Policy Statement and Strategy in January 2003 and this is updated annually and reported to the Audit and Resources Overview and Scrutiny Committee. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Management Group has defined Terms of Reference to develop a comprehensive performance framework for risk management and to embed risk management across the Authority. Corporate and departmental risk registers are in place and appropriate staff have been trained in the identification, assessment and monitoring of risks. There is regular review of service and high level corporate risks are reported to the Executive every quarter.

# ANNUAL GOVERNANCE STATEMENT

## THEME 4: TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY

### 3.8 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – *Practice for Local Authorities*

The core functions of an audit committee are delivered by the Authority's Audit and Resources Overview and Scrutiny Committee. These are set out in its terms of reference approved by Executive.

The prime purpose of the Audit and Resources Overview and Scrutiny Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

In addition to the general role of Audit and Resources overview and Scrutiny Committee, the Committee also:

- Approves (but not directs) internal audit's strategy, plan and performance
- Reviews summary internal audit reports and the main issues arising, and seeks assurance that action has been taken where necessary
- Considers the reports of external audit and inspection agencies
- Considers the effectiveness of the Authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors
- Satisfies itself that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it
- Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- Reviews the financial statements, external auditor's opinion and report to members, and monitor management action in response to the issues raised by external audit.

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### 3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Compliance with law and regulation is achieved by recruiting suitably qualified staff, and having job descriptions and personal specifications for all posts. All senior managers receive local government briefing to alert them to changes in the external regulatory framework, and major changes are identified for reports to the Executive or Council as appropriate. As part of the service planning process the impact of new laws is addressed.

Key service staff and internal audit are responsible for monitoring compliance with internal policies from time to time; examples are the annual review of appraisals undertaken, compliance with health and safety registers, and the completion of equalities assessments. Internal audit will identify any key policies that might need to be tested as part of any audit.

To ensure expenditure is lawful the Council agrees detailed budgets, and managers responsible for the budgets are required to sign acceptance of them. The financial regulations and contract standing orders set out procedures to ensure lawful expenditure. Both the finance staff, the Chief Financial Officer and the monitoring officer are required to sign off Committee reports to ensure relevant financial issues have been addressed, and any matters of legality are addressed. We have identified that there needs to be better understanding of law and regulation around procurement throughout the Council.

The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and those of Chief Officers under their delegated powers, however, the latter has not been used during the year.



# ANNUAL GOVERNANCE STATEMENT

## 3.10 Whistle-blowing and arrangements for receiving and investigating complaints from the public

An anti-fraud and corruption strategy and a whistleblowing policy and procedure is in place. Both documents are reviewed annually by Members and publicised widely, including on the Council's website.

The anti-fraud and corruption strategy comprises a series of measures and procedures that are designed to frustrate any attempted fraudulent or corrupt acts. This includes:

- Establishing the appropriate culture
- Appointing statutory officers
- Maintaining a Council committee structure which reviews decisions, examines specific issues and promotes high standards, as well as investigating alleged breaches of the code of conduct.
- Recruiting and retaining high calibre staff
- Establishing relevant procedures and codes that form the Council's overall control framework.
- Exchanging information with other bodies.

The strategy also describes the arrangements for investigating allegations and is reviewed annually.

The whistle-blowing policy and procedure provides an avenue for those that have serious concerns about any aspect of the Council's work to come forward and express those concerns.

The policy gives examples of the possible concerns that may exist, how these should be raised and how the Council will respond. In the event of dissatisfaction, other avenues for raising concerns are also set out within the policy.

The Council has a Complaints Procedure in which members of the public can record formally a complaint which is then investigated by the head of the service to which the complaint relates to. If the complainant is dissatisfied with the outcome of the investigation they can require the complaint to then be investigated by an officer outside of the service to which the complaint relates. If the complaint is still dissatisfied they have the right to have the complaint referred to the Local Government Ombudsman for investigation and resolution.

THEME 5: DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

## 3.11 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

There is both a Members Development Programme and Staff Development programme, with the former being agreed by the Members Development Group. Training for senior officers is identified through the induction programme, and on an ongoing basis through the appraisal process which requires a review of development needs.

The need to develop a competency framework for senior officers in addition to the job descriptions and personal specifications has been identified.

THEME 6: ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

## 3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council issues a residents' magazine 3 times per year distributed with the Observer free newspaper or separately delivered, particularly in rural areas that do not receive the Observer, although it has been identified that rural distribution needs constant monitoring. In addition,

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## ANNUAL GOVERNANCE STATEMENT

wraparounds of the Observer have been used to highlight particular issues such as waste collection and wireless Warwick. Annual performance is reported in one of these magazines.

The Local Strategic Partnership and its sub groups enable a two-way dialogue across the whole spectrum of the Councils activities involving key local stakeholders in partnership working. During the year agreement has been reached on neighbourhood working which will extend the remit of the current local neighbourhood policing forums to cover the totality of local government working, District, County and Parish. The need to improve communication in this area of work is acknowledged.

The Council is working to attain Level 3 of the equalities standard and has identified the need to improve its dialogue with hard to reach groups, in order to ensure its services are responsive to the whole community.

The Council has had three citizens' panels during the year in order to gain views from a representative sample of constituents, together with a number of service specific consultations.

The website is recognised as a key means of communication, and it is acknowledged as one of the best local government sites. Councillors can and are frequently contacted through the website.

### **3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.**

The Council has a policy for managing its partnership arrangements. However, it has identified that this needs review in the light of more recent best practice and then embedding to ensure all partnership arrangements follow best practice.

The feedback mechanism for Councillors on outside bodies, particularly those with strategic significance requires review.

## **4 REVIEW OF EFFECTIVENESS**

Warwick District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:

### **4.1 The Authority**

The Authority is responsible for agreeing the changes to the Constitution that have been developed during the year, and most recently these were agreed at the April Council. This Annual Governance Statement is also reported to the Authority when it approves the financial statements.

#### **The Executive**

The Executive agreed a new Code of Corporate Governance in March 2008, and agreed the methodology for the production and review of this Annual Governance Statement.

# ANNUAL GOVERNANCE STATEMENT

## 4.2 The audit committee/overview and scrutiny committees/risk management committee

The Council has delegated to the Audit and Resources Overview and Scrutiny Committee responsibility for discharging the functions of an audit committee. Its prime purpose, therefore, is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance and oversee the financial reporting process.

Each quarter the committee reviews the findings from internal audit assignments completed during those periods whilst annually it receives a report on the effectiveness of Internal Audit. It also considers reports from external audit and other review agencies as and when they are issued.

## 4.3 The Standards Committee

The introduction of the new Code of Corporate Governance and the requirement to produce an annual governance statement has led to responsibility for Corporate Governance, and the review of the statement to be explicitly recognised in the terms of reference of the Standards Committee.

## 4.4 Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan which is approved by the Audit and Resources Overview and Scrutiny Committee, and from which the audit assignments are identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service director and service manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The process includes quarterly reports to Members on progress in achieving the annual plan. The reports also set out the recommendations made in the quarters and the state of implementation of recommendations issued in previous periods.

The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section. During 2007/08 the Audit Commission assessed Internal Audit against the CIPFA Code of Practice for Internal Audit in Local Government in the UK. It reported that internal Audit were complying fully with nine of the eleven elements of the Code. An action plan had been formulated to address the two elements where partial compliance was found to exist.

## 4.5 CMT

CMT commissioned the officer review group of

- The Chief Executive (chair)
- the Monitoring Officer
- The Strategic Director & Chief Financial Officer
- the Assistant Chief Executive (Members)
- the Head of Finance
- the Internal Audit Manager
- the Senior Committee Services Officer
- the Policy and Performance Manager

to produce this statement. CMT have also reviewed and where necessary queried the annual assurance statements from senior managers.

## 4.6 Other review/assurance mechanisms

Overview and scrutiny committees, the standards committee, external audit and external inspection agencies such as the Benefit Fraud Inspectorate and the Food Standards Agency contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use is also made of other review agencies such as peer assessors

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## ANNUAL GOVERNANCE STATEMENT

from the West Midlands Local Government Association. In preparation for CPA, management has also carried out its own review.

The Council has actively used the EFQM Excellence Model for the last eight years as a tool for improving practice against an internationally recognised model and as a tool for benchmarking against cross-sector organisations. The Council has consistently increased its EFQM scores over four assessments. In 2008 the Council was the West Midlands Award Winner (competing against organisations from all sectors) in the Midlands Excellence EFQM Awards. The Council has also been Investors In People accredited since the late 1990s. A number of services are externally accredited against specific standards, for instance Building Control, and Food Safety are both accredited under ISO9000.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Standards Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### 5 SIGNIFICANT GOVERNANCE ISSUES

Governance issues that are identified for improvement are set out below, they are prioritised high (H) medium (M) or low (L) as follows:

- High: A significant weakness that must be addressed in 2008-09
- Medium: Would make a significant improvement to governance standards; and every effort will be made to address in 2008-09
- Low: A minor item that would enhance current arrangements

It is felt that there is benefit in all intended governance improvements being recorded with this statement. The actions have been identified from work done on the statement above and in collecting the evidence required.

# ANNUAL GOVERNANCE STATEMENT

ACTIONS FROM EVIDENCE IN PREPARING GOVERNANCE STATEMENT					
REF	ISSUE	ACTION	TIMEFRAME Q1-4 are the 4 quarters of 08/09	RESP See key at end	H/ M/L
<b>Objective 1, Step 1: Mechanisms established to identify principal statutory obligations</b>					
1	Statutory obligations are formally established	Update of Constitution	Q4	HoL	H
1	"	Update of relevant Job Descriptions following review of constitution	09/10	HOPI	L
2	Record of statutory obligations	List of record of statutory obligations to be circulated to Heads of Service.	Q1	HoL	H
4	Effective action for non-compliance with procedures	Corrective action being taken in response to upheld complaints to be reported to Standards Committee on an annual basis.	Q2	ACE (M)	M
<b>Objective 1, Step 2: Mechanisms in place to establish organisational objectives</b>					
2	Priorities and organisational objectives	Once the Community Strategy has been reviewed, the Corporate Strategy will be revisited to ensure alignment and if necessary reviewed	Q4	HODPI	H
3	Priorities and objectives are aligned	Further consideration of how priorities and objectives match up to the new LAA is required	Q4	CEx	H
5	Objectives are clearly communicated	Corporate Strategy communication plan being developed – will be rolled out	Q1	HODPI	H
5	"	Review documentation of team meetings	Q3	HODPI for CMT	M
<b>Objective 1, Step 3 : Effective Corporate Governance arrangements are embedded within the authority</b>					
2	"	Internal audit to include a review of some element of Corporate Governance every year	Q1-Q4	IAM	H
4	Governance training	Induction programme for new staff and Councilors to be amended by Personnel to take on board Governance training	Q3/Q4	HODPI	M
5	Governance awareness	Publish Code on the website	Q1	ACE(M)	H
<b>Objective 1, Step 4: Performance management arrangements are in place</b>					
1	"	Define strategic partnerships that require an annual report and progress	Q2/Q4	HODPI	H
5	Continuously improving performance	Link our performance management arrangements with the Sustainable Community Strategy when this is approved	Q4	HODPI	M
<b>Objective 2, Step 1– The authority has robust systems and processes in place for the identification and management of strategic and operational risk</b>					
2	Risk management processes	Develop risk management for partnerships	Q3	HODPI/ CFO	H
3	Identification & evaluation of risk understood by all staff	Risk management refresher/introduction to be arranged for Senior Officers	Q2	HF	M
4	Recording risk	Consider extent to which current performance monitoring is highlighting key risk indicators	Q2	HODPI/ CFO	M
5	Financing risk	Claims handling system being purchased which will help monitor this as Woolf timetable can be set against claims producing reminders	Q2	HF	M
6,9	Staff training	Risk Management to be incorporated in management competencies	Q4	HODPI	L
8	Corporate risk officer	The job description of the Audit and Risk Manager needs updating to reflect risk management responsibilities.	Q2	HF	M
11	Consideration of	Ensure risk assessments are undertaken before	ongoing	CMT led	H

## ANNUAL GOVERNANCE STATEMENT

ACTIONS FROM EVIDENCE IN PREPARING GOVERNANCE STATEMENT					
REF	ISSUE	ACTION	TIMEFRAME Q1-4 are the 4 quarters of 08/09	RESP See key at end by CEx	H/ M/L
	risks	the commencement of major projects by embedding the Prince 2 approach to all major projects			
12	Risk information system	Audit and Risk Manager to investigate software for managing risks, in particular possibility of in-house development of system	Q3	HF	M
<b>Objective 3, Step 1 - The authority has robust systems of internal control which includes systems and procedures to mitigate principal risks</b>					
1	Financial regulations	Code of Financial Practice will continue to be reviewed at least annually, with amendments sought if required.	Q4	HF	H
2,8	Communication of Procurement Code	Review arrangements for officer understanding of proper procurement practice	Q3	HF	H
6	Register of interests	Annual reminder in payslips regarding need for declarations	Q3	HF	L
7	Communication of scheme of delegation to all staff	Training for individual Service Areas perhaps linked to the new constitution as it comes into effect later this year	Q3/Q4	HL	M
9	Business continuity	Develop business continuity plans in light of test held in 07/08, and other good practice	Q3	HE to lead	H
13	Health & Safety	Review of Health and Safety Policy in progress, reporting to CMT quarterly. Due to be submitted for approval within next 3 months	Q1	HEH	M
14	Complaints	Once the review of the complaints process is completed gain formal approval of this from CMT, Members and LGO.	Q4 (dependent on WCC)	ACE (M)	M
<b>Objective 4, Step 1 – Obtain assurance on the effectiveness of key controls</b>					
3	External assurance reports	Consider if necessary to collate external assurance reports centrally	Q3	CFO	L
<b>Objective 5, Step 1 – Evaluate assurances and identify gaps in control/assurances</b>					
1	Responsibilities for assurances are defined	Review if responsibility is sufficiently documented	Q2/Q3	CEx & CFO	H
2	Mechanism for governance assurances	Document responsibility for agreeing and documenting service assurances	Q2/Q3	HF	H
2	“	Ask Audit to review if clear guidance exists on evaluation procedure including assurance over risks, independence and objectivity of assurance	Q3	HF	H
2	“	Agree a timetable for 2008/09 assurance gathering	Q3	CEx * & CFO	H

# ANNUAL GOVERNANCE STATEMENT

<b><u>ACTIONS FROM EVIDENCE ON THE SIX THEMES OF CODE OF CORPORATE GOVERNANCE</u></b>					
REF	ISSUE	ACTION	TIMEFRAME Q1-4 are the 4 quarters of 08/09	RESP See key at end	H/ M/ L
<b>CIPFA/SOLACE Core Principles – Theme 1: Focusing on purpose/outcomes and creating a vision for the local area</b>					
1	Develop & promote vision	Promotion for Corporate Strategy	Q1	HODPI	H
2	Review vision	Review the Warwick Area LSP governance once the new Strategy is agreed in 2008	Q3/Q4	SD (CSI)	M
3 & others	Ensure partnerships have common vision	Review of Partnership Policy and review of individual partnerships in line with the agreed Policy	Q3	HODPI	H
4	Publish Annual Report	.....on website	Q2	HODPI	H
7	Value for money	The authority's approach to value for money and benchmarking needs to be more formalised. Paper to CMT/Executive	Q3/Q4	HF	M
<b>CIPFA/SOLACE Core Principles – Theme 2: Members &amp; officers working together to achieve common purpose with clearly defined functions &amp; roles</b>					
2	Clear statement of roles & responsibilities	Constitution to be amended to refer to the role of Councillors generally	Q3	ACE (M)	L
2	"	Personnel to amend the Conditions of Employment of staff to make reference to the Code of Governance and the role of officers and Councilors	Q4	HODPI	L
4	Chief Executive responsibilities	Personnel to amend the job description of the Chief Executive to include responsibility for all aspects of operational management	Q4	HODPI	L
5	Leader/Chief Executive protocol	Formal protocol to be agreed.	Q2	CEx	M
<b>CIPFA/SOLACE Core Principles – Theme 3: Promoting values for the authority and demonstrating values of good governance through upholding high standards of conduct and behaviour</b>					
1	Leadership setting the tone	Competency Framework for all staff to be developed based on organisational values (also in 8 of this section)  Test staff attitudes by survey for Best Council to Work for	Q4  Q1	HODPI	M
2	Standards of Conduct	Update Chief Officer performance review arrangements	Q3/Q4	HODPI	H
6	Effective Standards Committee	Standards Committee training in 2008 will need to be designed to ready this committee and future members ready for the role.  Document training of Committee later this summer, collate training materials and retain for future use	Ongoing  Q2	HoL	M
<b>CIPFA/SOLACE Core Principles – Theme 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>					
1	Effective Scrutiny	Review effectiveness of new scrutiny arrangements	Q3	(CMT/ Policy/ Member Services)	M
2	Decision making	Devise a process for recording when decision of Council, Executive and Committees are implemented.	Q2	ACE(M)	M
3	Conflicts of interest	Strategic Director to remind members quarterly (when CMT reviews for officers) about	ongoing	CFO	M

## ANNUAL GOVERNANCE STATEMENT

<b>ACTIONS FROM EVIDENCE ON THE SIX THEMES OF CODE OF CORPORATE GOVERNANCE</b>					
REF	ISSUE	ACTION	TIMEFRAME Q1-4 are the 4 quarters of 08/09	RESP See key at end	H/ M/ L
		Declarations of hospitality and gifts.			
3, and elsewhere	"	Annual reminder in pay slip regarding need to make declarations for conflicts of interest for officers	Q2	HF	M
8	Risk management culture	Risk management refresher /introduction to be arranged for Senior Officers	Q2	HF	M
12	Legislative requirements are observed	There is a need for better understanding of wider powers. Develop training for members & senior officers on legality issues to include vires, Wednesbury	Q2/Q4	HoL	M
<b>CIPFA/SOLACE Core Principles – Theme 5: Developing the capacity and capability of members and officers to be effective</b>					
2	Statutory offices have necessary skills & resources and their roles are understood in the organisation	It is felt that senior managers need to be given a better understanding of all the statutory roles  Encourage attendance of Monitoring Officer at CMT Executive report sign-off meetings  Monitoring Officer : support to understand his role	Q2  Ongoing  Q1/Q4	Stat Officers  HOL CEX/HOL	H  M H
5	Effective arrangements for reviewing performance	Complete proposals and implement new arrangements for crime and disorder partnership	Q2/Q3	SD (CRI)	H
6	Engagement, contribution & participation of all members of the community	Develop comprehensive and routine systems of community engagement to involve all sections of the community	Q4	SD( CRI)	H
7	Member & officer career structures	Agree new management development programme	Q3	HODPI	M
7	"	Agree new Member Development Programme	Q2/Q3	HODPI/A CE (M)	M
<b>CIPFA/SOLACE Core Principles – Theme 6: Engaging with local people and other stakeholders to ensure robust public accountability</b>					
1,3	Accountability made clear	Sustainable Community Strategy to be agreed.	Q3	SD( CSI)	H
2	Institutional arrangements	Warwick LSP to be reviewed once the SCS is agreed  LAA Governance framework is to be reviewed in 2008 once new LAA is agreed	Q4  Q4	(CEX)/ SD (CRI) "	H
4,6,7	Consultation & engagement	Communications and consultation strategy needs review and updating, with particular regard to hard to reach groups	Q4	SD( CSI)	M



**ANNUAL GOVERNANCE STATEMENT**

ACE (M) – Assistant Chief Executive (Members services)  
CEx – Chief Executive  
CFO – Strategic Director (Living, Lifestyles & Resources) & Chief Financial Officer  
CMT- Corporate Management Team  
HE – Head of Engineering  
HEH – Head of Environmental Health  
HF – Head of Finance  
HODPI – Head of Organisational Development & Improvement  
HoL – Head of Legal & Monitoring Officer  
IAM – Internal Audit Manager  
SD (CSI) – Strategic Director (Customer Service & Improvement)

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

_____ Michael Doody Leader of the Council	_____ Chris Elliott Chief Executive
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**Dated:**

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# **AUDITORS' REPORT TO WARWICK DISTRICT COUNCIL**

**Independent auditor's report to the Members of Warwick District Council**

To follow after Audit