

WARWICK DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2016/17 and
ANNUAL GOVERNANCE STATEMENT

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NOTES TO THE ACCOUNTS

Movement in Reserves Statements

The CIPFA Code of Local Authority Accounting in the UK 2016/17 requires the total General Fund Balance and total Housing Revenue Account Balance be presented. In the past, it was recommended that Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserves be separately presented. The 2015/16 Movement in Reserves Statement has been restated for this change.

	General Fund Balance as previously stated £'000	Earmarked General Fund Reserves as previously stated £'000	General Fund Balance Restated £'000	Housing Revenue Account Balance as previously stated £'000	Housing Revenue Account Reserves as previously stated £'000	Housing Revenue Account Balance Restated £'000
2015/16 (Restated)						
Balance at 31 March 2015	2,104	16,986	19,090	1,353	21,660	23,013
Movement in reserves during 2015/16						
Total Comprehensive Income and Expenditure	(2,097)	-	(2,097)	27,572	-	27,572
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 10)	3,063	-	3,063	(28,350)	-	(28,350)
Increase / (Decrease) before transfers to Earmarked Reserves	966	-	966	(778)	-	(778)
Transfer to from earmarked funds	(1,260)	1,260	-	811	(811)	-
Balance at 31 March 2016 carried forward	1,810	18,246	20,056	1,386	20,849	22,235

Note 19 Debtors

In the Statement of Accounts 2015/16 debtors and bad debt provisions were shown separately. The Code of Practice requires the debtors to be shown net of any bad debt provisions. The 2015/16 position has been restated as follows:

	31 March 2016 £000	Bad Debts Provisions £000	Restated 31 March 2016 £000
Debtors:			
Central Government Bodies	1,090	-	1,090
Other Local Authorities	515	(8)	507
NHS Bodies	2	-	2
Other Entities and Individuals	4,804	(2,179)	2,625
TOTAL DEBTORS	6,411	(2,187)	4,224
Bad Debt Provisions:			
Council Tax Payers	(93)	93	-
Business Rate Payers	(200)	200	-
Housing Tenants	(883)	883	-
Housing Benefits - Rent Allowances	(815)	815	-
Other Debtors	(196)	196	-
TOTAL BAD DEBT PROVISIONS	(2,187)	2,187	-
NET SHORT TERM DEBTORS	4,224	-	4,224

NOTES TO THE ACCOUNTS

7. Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis
2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustment (Note 2)	Other Adjustments (Note 3)	Total Adjustments (Note 3)
	£000	£000	£000	£000
Cultural Services	(1,033)	(137)	4	(1,166)
Development Services & Business	(817)	(141)	2	(956)
Finance	(52)	281	(3)	226
Health & Community Protection	(516)	(99)	-	(615)
Housing & Property Services	(918)	(89)	(3)	(1,010)
Housing Revenue Account	42,960	(67)	(5)	42,888
Neighbourhood Services	(252)	(111)	(3)	(366)
Strategic Leadership	213	(146)	1	68
Net Cost Of Services	39,585	(509)	(7)	39,069
Other income and expenditure from the Expenditure and Funding Analysis	1,649	(1,202)	4,745	5,192
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	41,234	(1,711)	4,738	44,261

Adjustments between Funding and Accounting Basis
2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustment (Note 2)	Other Adjustments (Note 3)	Total Adjustments (Note 3)
	£000	£000	£000	£000
Cultural Services	(2,674)	(238)	(17)	(2,929)
Development Services & Business	(335)	(269)	6	(598)
Finance	1,356	320	24	1,700
Health & Community Protection	(746)	(182)	-	(928)
Housing & Property Services	437	(141)	161	457
Housing Revenue Account	28,133	(150)	(8)	27,975
Neighbourhood Services	(1,639)	(198)	1	(1,836)
Strategic Leadership	(89)	(281)	1	(369)
Net Cost Of Services	24,443	(1,139)	168	23,472
Other income and expenditure from the Expenditure and Funding Analysis	2,462	(1,471)	824	1,815
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	26,905	(2,610)	992	25,287

Adjustments for Capital Purposes

- Adjustments for capital purposes – this column adds depreciation and impairment and revaluation gains and losses in the service line, and for:
 - Other operating expenditure** – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets.
 - Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The

NOTES TO THE ACCOUNTS

Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Changes for the Pensions Adjustments

- 2 Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
 - For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Differences

- 3 Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:
 - For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
 - The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be receivable at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTES TO THE ACCOUNTS

Segmental Income

Income received on a segmental basis is analysed below:

Portfolio	2016/17 Income from Services £000	2015/16 Income from Services £000
Culture	3,422	3,715
Development Services & Business	2,748	2,938
Finance	459	627
Health & Community Protection	616	637
Housing & Property Services	1,173	2,034
Housing Revenue Account	27,838	28,070
Neighbourhood	6,077	6,551
Strategic Leadership	578	581
Total income analysed on a segmental basis	42,911	45,153

8. Expenditure and Income Analysed by Nature

The Council's expenditure and income by nature is analysed as follows:

Expenditure / Income	2016/17 £000	2015/16 £000
Expenditure		
Employee benefits expenses	1,711	2,745
Other services expenses	69,888	70,322
Depreciation, amortisation and impairment	(29,190)	(10,501)
Interest payments	4,767	4,767
Precepts and Levies	1,306	1,233
Payments to Housing Capital Receipts Pool	970	978
Total Expenditure	49,452	69,544
Income		
Fees, charges and other service income	(42,911)	(45,153)
Gain on the disposal of assets	(1,762)	(527)
Interest and investment income	(536)	(528)
Income from Council Tax and Business Rates	(12,976)	(11,483)
Government grants and contributions	(35,220)	(37,328)
Total Income	(93,405)	(95,019)
Surplus or Deficit on the Provision of Services	(43,953)	(25,475)

NOTES TO THE ACCOUNTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund Balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding Housing Revenue Account services.

Housing Revenue Account Balance

The Housing Revenue Account Balance contains the balance of income and expenditure as defined by the Part VI of the Local Government and Housing Act 1989 that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve along with an adjustment to make the overall transfer for dwellings equal to the Major Repairs Allowance set out in the Self Financing determination. This reserve can be used to fund capital expenditure to help maintain or improve HRA assets, or repay HRA debt.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

NOTES TO THE ACCOUNTS

2016/17

	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
<ul style="list-style-type: none"> ■ Pensions costs (transferred to (or from) the Pensions Reserve ■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account) ■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve) ■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) 	(1,485)	(226)	-	-	-
	4,744	-	-	-	-
	(1)	(5)	-	-	-
	(3,275)	30,146	-	-	481
Total Adjustments to the Revenue Account	(17)	29,915	-	-	481
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	5,003	(5,003)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(969)	-	969	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	6,135	-	(6,135)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	698	3,496	-	-	-
Total Adjustments between Revenue and Capital Resources	(271)	14,634	(4,034)	(6,135)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	4,304	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,964	-
Total Adjustments to Capital Resources	-	-	4,304	3,964	-
Total Adjustments	(288)	44,549	270	(2,171)	481

NOTES TO THE ACCOUNTS

2015/16

	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
■ Pensions costs (transferred to (or from) the Pensions Reserve)	(2,286)	(324)	-	-	-
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	133	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	7	(8)	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,879)	12,227	-	-	85
Total Adjustments to the Revenue Account	(4,025)	11,895	-	-	85
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	482	4,008	(4,490)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(977)	-	977	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	5,886	-	(5,886)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,457	6,561	-	-	-
Total Adjustments between Revenue and Capital Resources	962	16,455	(3,513)	(5,886)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	2,141	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,874	-
Total Adjustments to Capital Resources	-	-	2,141	3,874	-
Total Adjustments	(3,063)	28,350	(1,372)	(2,012)	85

NOTES TO THE ACCOUNTS

10. Movements In Earmarked Reserves

The amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

	Balance at 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
General Fund:							
Art Fund Reserve	64	-	3	67	-	4	71
Art Gallery Gift Reserve	57	-	-	57	-	-	57
Building Control Reserve	293	(44)	-	249	(20)	-	229
Business Rate Retention Volatility Res	3,402	(49)	-	3,353	(3,658)	750	445
Capital Investment Reserve	3,551	(1,325)	821	3,047	(1,532)	318	1,833
Car Parks Repairs & Maintenance Reserve	219	-	286	505	(38)	323	790
Cemetery Land Purchase Reserve	-	-	-	-	-	3	3
Community Forums Reserve	136	(17)	-	119	(48)	-	71
Corporate Assets Reserve	1,338	(66)	570	1,842	(38)	575	2,379
Covent Garden Multi Storey Reserve	-	-	900	900	-	-	900
Earmarked Balances Reserve	639	(639)	381	381	(381)	288	288
Election Expenses Reserve	95	(80)	-	15	-	30	45
Energy Management Reserve	98	-	5	103	-	5	108
Enterprise Projects Reserve	21	-	38	59	-	23	82
Equipment Renewals Reserve	456	-	374	830	(48)	-	782
G M Commuted Sums Reserve	282	(78)	334	538	(97)	107	548
GF Early Retirements Reserve	85	(82)	100	103	(217)	147	33
Gym Equipment Replacement Reserve	94	(1)	30	123	(123)	-	-
Hill Close Gardens Reserve	-	-	80	80	(20)	-	60
ICT Replacement Reserve	1,029	(167)	3	865	(358)	-	507
Insurance Reserve	322	-	-	322	(30)	-	292
Leisure Options Reserve	-	-	-	-	(383)	2,440	2,057
Local Plan Delivery Reserve	237	(84)	-	153	(4)	-	149
Planning Appeal Reserve	514	(154)	204	564	(244)	150	470
Public Amenity Reserve	838	(90)	-	748	(209)	-	539
Public Open Space Planning Gain Reserve	350	-	576	926	(251)	283	958
Rent Bond Scheme Reserve	22	-	-	22	-	-	22
Revenue Grants / Contributions Received in Advance	852	(125)	47	774	(107)	53	720
Right to Bid Reserve	20	-	-	20	-	-	20
Right to Challenge Reserve	26	-	-	26	-	-	26
Riverside House Maintenance Reserve	-	-	30	30	-	-	30
Services Transformation Reserve	1,902	(716)	200	1,386	(321)	158	1,223
Tourism Reserve	44	(5)	-	39	-	-	39
TOTAL GENERAL FUND	16,986	(3,722)	4,982	18,246	(8,127)	5,657	15,776
HRA:							
HRA Capital Investment Reserve	21,541	(6,204)	5,388	20,725	(3,392)	5,599	22,932
HRA Early Retirements Reserve	109	(3)	8	114	(20)	8	102
HRA Earmarked Reserves	-	-	-	-	-	164	164
HRA Rev Grants/Contribs In Advance Res	10	-	-	10	-	-	10
TOTAL HRA	21,660	(6,207)	5,396	20,849	(3,412)	5,771	23,208
TOTAL EARMARKED RESERVES	38,646	(9,929)	10,378	39,095	(11,539)	11,428	38,984

NOTES TO THE ACCOUNTS

The purpose of the significant earmarked reserves are:

Capital Investment Reserve: Used to provide finance for the Council's General Fund capital programme not met by other resources e.g. borrowing, capital receipts, revenue contributions, external contributions and other reserves.

Corporate Assets Reserve: Used to finance improvements and also major repairs and maintenance to the Council's General Fund property assets.

Services Transformation Reserve: Used to finance service improvements and to enable services to continue to be provided pending delivery of required savings and to finance "Fit For the Future" schemes so as to help the Council secure savings needed in its medium term financial strategy.

Leisure Options Reserve: Used to finance initial concession and management fee payments to contractor whilst refurbishment programme being carried out and to contribute towards debt servicing costs on borrowing taken out to finance the refurbishment programme.

HRA Capital Investment Reserve: Used to finance significant council housing projects, including building or acquiring new council homes.

11. Other Operating Income and Expenditure

Gross Expenditure 2015/16 £'000	Gross Income 2015/16 £'000	Net Expenditure 2015/16 £'000		Gross Expenditure 2016/17 £'000	Gross Income 2016/17 £'000	Net Expenditure 2016/17 £'000
1,233	-	1,233	Parish Council Precepts	1,306	-	1,306
978	-	978	Payments to Govt. Housing Capital Receipts Pool	970	-	970
-	(527)	(527)	(Gain) or loss on the disposal of non-current assets	-	(1,762)	(1,762)
2,211	(527)	1,684	Total	2,276	(1,762)	514

12. Financing and Investment Income and Expenditure

Gross Expenditure 2015/16 £'000	Gross Income 2015/16 £'000	Net Expenditure 2015/16 £'000		Gross Expenditure 2016/17 £'000	Gross Income 2016/17 £'000	Net Expenditure 2016/17 £'000
4,767	-	4,767	Interest Payable and similar charges	4,767	-	4,767
1,471	-	1,471	Net Interest on the net defined benefit liability	1,203	-	1,203
-	(528)	(528)	Interest receivable and similar income	-	(536)	(536)
367	(3,454)	(3,087)	Income and expenditure in relation to investment properties and changes in their fair value	486	(616)	(130)
6,605	(3,982)	2,623	Total	6,456	(1,152)	5,304

13. Taxation and Non Specific Grant Income and Expenditure

Gross Income 2015/16 £'000		Gross Income 2016/17 £'000
(8,714)	Council Tax income	(9,156)
(2,769)	Non-domestic rates income and expenditure	(3,820)
(5,385)	Non-ringfenced Government Grants	(4,658)
(486)	Capital Grants and Contributions	(233)
(17,354)	Total	(17,867)

NOTES TO THE ACCOUNTS

14. Property, Plant and Equipment

Movements on Balances

Movements in 2016/17

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Property, Plant and Equipment £'000
Cost or valuation								
At 1 April 2016	282,885	69,599	8,013	2,403	7,037	1,058	6,822	377,817
Additions	10,508	593	899	2	114	-	2,811	14,927
Revaluation increases / (decreases) recognised in the Revaluation Reserve	19,445	444	-	-	-	5	-	19,894
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	33,873	165	-	-	-	-	-	34,038
Derecognition - disposals	(2,429)	-	(60)	-	-	-	-	(2,489)
Assets reclassified (to) / from Other Accounts	6,889	(6)	-	-	-	(441)	(6,526)	(84)
At 31 March 2017	351,171	70,795	8,852	2,405	7,151	622	3,107	444,103
Accumulated Depreciation and Impairment								
At 1 April 2016	-	(754)	(6,223)	(253)	(383)	(299)	-	(7,912)
Depreciation charge for 2016/17	(2,923)	(2,385)	(510)	(61)	(47)	(28)	-	(5,954)
Depreciation written out to the Revaluation Reserve	17	1,750	-	-	-	17	-	1,784
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,906	94	-	-	-	-	-	3,000
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	(2)	-	-	-	-	(2)
At 31 March 2017	-	(1,295)	(6,735)	(314)	(430)	(310)	-	(9,084)
Net Book Value								
31 March 2017	351,171	69,500	2,117	2,091	6,721	312	3,107	435,019
31 March 2016	282,885	68,845	1,790	2,150	6,654	759	6,822	369,905

NOTES TO THE ACCOUNTS

Movements on Balances

Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2015	262,499	55,104	7,730	2,306	7,037	1,816	2,453	338,945
Additions	6,347	608	283	97	-	-	5,672	13,007
Revaluation increases / (decreases) recognised in the Revaluation Reserve	355	14,610	-	-	-	69	-	15,034
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	16,109	(1,227)	-	-	-	(47)	-	14,835
Derecognition - disposals	(2,666)	(52)	-	-	-	(780)	-	(3,498)
Assets reclassified (to) / from Other Accounts	241	556	-	-	-	-	(1,303)	(506)
At 31 March 2016	282,885	69,599	8,013	2,403	7,037	1,058	6,822	377,817
Accumulated Depreciation and Impairment								
At 1 April 2015	-	(1,198)	(5,642)	(195)	(337)	(315)	-	(7,687)
Depreciation charge for 2015/16	(2,639)	(2,259)	(581)	(58)	(46)	(28)	-	(5,611)
Depreciation written out to the Revaluation Reserve	13	2,280	-	-	-	44	-	2,337
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,626	423	-	-	-	-	-	3,049
At 31 March 2016	-	(754)	(6,223)	(253)	(383)	(299)	-	(7,912)
Net Book Value								
31 March 2016	282,885	68,845	1,790	2,150	6,654	759	6,822	369,905
31 March 2015	262,499	53,906	2,088	2,111	6,700	1,501	2,453	331,258

NOTES TO THE ACCOUNTS

Capital Commitments and Planned Works 2017/18

	£'000
General Fund:	
Leisure Refurbishments	11,968
Pump Room Gardens Restoration	1,179
Play Area Improvement Programme	550
Acquisition of Spencer Yard premises	300
ICT Developments	249
Recycling & Refuse Containers	176
Wall Repairs Barford	134
Rural & Urban Initiatives	126
St. Peter's Multi-storey car park structural work	120
St John's Flood Alleviation Partnership	100
Housing Investment Programme:	
Council House Improvements / Renewal	5,439
Housing New Build / Re provision	840
Private Sector Housing - Grants and Loans	699

Revaluations

The values of the Council Dwellings and Other HRA Property (shops, offices, community centres, garages, surgery, hostel and land) are based on valuations at 1 April 2017 following a "desktop" revaluation exercise by Carter Jonas LLP. Following the full revaluation exercise carried out on all of the General Fund property assets as at 1st April 2015, a fifth of the General Fund property assets comprising office buildings, leisure centres, public parks and open spaces were revalued as at 1st April 2016, this being the first tranche of a five year rolling programme of General Fund property valuations.

The values at 31st March 2017 also take account of any depreciation, impairments and in year capital expenditure which has occurred since the last valuation took place for that specific asset.

Carter Jonas has also undertaken a review of a representative selection of General Fund property assets including surplus assets in order to ascertain whether the carrying values of the General Fund property assets represent fair value at 31st March 2017. The carrying values in the Balance Sheet for those assets in the representative sample have been updated to 31st March 2017 and it is considered that as a result of the review the carrying values of the rest of the assets represent fair value. The table below shows the valuation basis for each asset class within the Balance Sheet:

Asset Class	Valuation Basis
Operational Property e.g. Car Parks and Housing Stock	Existing Use Value Existing Use Value – Social Housing Depreciated Replacement Cost (MEA)
Non Operational Property e.g. Surplus Assets	Open Market Value
Investment Properties	Open Market Value
Community Assets	Historic Cost
Infrastructure Assets	Historic Cost
Equipment	Historic Cost
Assets Under Construction	Historic Cost

All of the Council's Surplus Property Assets were revalued by Carter Jonas LLP in 2015/16 and some properties were revalued at 31st March 2017 as part of the representative sample previously referred to above and as such it is considered that for the purposes of

NOTES TO THE ACCOUNTS

IFRS13, the carrying value at 31st March 2017 is still equal to Fair Value under that standard. For those properties where the new value was set with reference to rent reviews relating to that particular property it is considered that this equates to a level 1 input. The rest of the properties were revalued using direct observation of the passing rents on similar properties within the local property market and this equates to a level 2 input.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, etc. £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	-	143	2,038	2,091	6,721	-	3,107	14,100
Valued at fair value as at:								
- 2016/17	351,171	58,564	-	-	-	127	-	409,862
- 2015/16	-	10,793	-	-	-	185	-	10,978
Total Cost or Valuation	351,171	69,500	2,038	2,091	6,721	312	3,107	434,940

It should be noted that the total figure in the above table does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £79,000. This difference relates to the balance outstanding at 31 March 2017 on the Colour Copier and Dog Wardens Van Finance leases (see note 33) which is not included in the table above.

15. Heritage Assets

	Decorative Arts Collection £'000	Visual Arts Collection £'000	Other £'000	Total Assets £'000
Cost or Valuation				
1 April 2015	330	6,664	925	7,919
Additions	1	259	6	266
Revaluations	-	-	73	73
Depreciation	-	-	(3)	(3)
31 March 2016	331	6,923	1,001	8,255
Cost or Valuation				
1 April 2016	331	6,923	1,001	8,255
Additions	-	-	8	8
Revaluations	-	-	11	11
Depreciation	-	-	(3)	(3)
31 March 2017	331	6,923	1,017	8,271

Decorative Arts & Visual Arts Collections

The majority of the Council's collections of Decorative Arts (ceramics, porcelain, glass and other artefacts of a similar nature) and Visual Arts (paintings and drawings) were revalued by Tim Ritchie & Associates in September 2014. Those items not externally valued due to their low intrinsic worth were assigned an internal nominal value of £50. The policy is to revalue the collections every 5 years with the next valuation due in September 2019.

Other

This comprises the remainder of the Art Gallery and Museum's collections (Archaeology, Ethnography, Numismatics, Pictorial and Social History) and also the Abbey Fields Barn.

NOTES TO THE ACCOUNTS

In the case of the Art Gallery and Museum's collections some articles were valued externally as part of the September 2014 revaluation exercise referred to above but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff. During 2016/17, items amounting to £8,090 have been added to the Social History collection. The vast majority of those items acquired in 2016/17 were of a low intrinsic value, two items costing £140 and £500 respectively will be valued in due course by Tim Ritchie & Associates.

The Abbey Fields Barn was valued by Carter Jonas at 1/4/2016 at £293,000 on a depreciated replacement cost basis.

Heritage Assets: Summary of Transactions

	2015/16	2016/17
	£'000	£'000
Cost of Additions of Heritage Assets:		
Donations:		
Visual Arts	259	-
Decorative Arts	1	-
Social History etc.	6	8
Total cost of Additions	266	8
Revaluation of Heritage Assets:		
Abbey Fields Barn	42	11
Social History etc.	31	-
Total Revaluations	73	11

16. Investment Properties

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

	2016/17	2015/16
	£'000	£'000
Rental income from investment property	616	536
Direct operating expenses arising from investment property	(434)	(367)
Net gain / (loss)	182	169

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

NOTES TO THE ACCOUNTS

	2016/17 £'000	2015/16 £'000
Balance at start of the year	11,477	8,942
Additions:		
- Subsequent expenditure	-	8
Disposals	-	(453)
Net gains / (losses) from fair value adjustments	(52)	2,918
Transfers:		
- To / from Property, Plant and Equipment	-	62
Balance at end of year	11,425	11,477

All of the Council's Investment Properties were revalued by Carter Jonas LLP in 2015/16 and those where rent reviews have taken place during 2016/17 have also been revalued as a consequence, the revaluations having been carried out by Carter Jonas LLP. It is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. For those properties valued in 2015/16 and 2016/17 where the new value was set with reference to rent reviews relating to that particular property it is considered that this equates to a level 1 input. The rest of the properties were revalued using direct observation of the passing rents on similar properties within the local property market and this also equates to a level 1 input.

Gains or losses arising from changes in fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure.

NOTES TO THE ACCOUNTS

17. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Investments:				
Loans and receivables	-	-	53,018	44,565
Available for sale financial assets	-	-	18,437	16,259
Total Investments	-	-	71,455	60,824
Debtors:				
Loans and receivables	866	855	5,435	5,599
Total Debtors	866	855	5,435	5,599
Borrowings:				
Financial Liabilities at amortised cost	(136,232)	(136,166)	(56)	(55)
Total Borrowings	(136,232)	(136,166)	(56)	(55)
Creditors:				
Financial Liabilities at amortised cost	-	-	(12,056)	(11,810)
Total Creditors	-	-	(12,056)	(11,810)

Income, Expense, Gains and Losses

	2016/17				2015/16			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000
Interest expense	(4,767)	-	-	(4,767)	(4,767)	-	-	(4,767)
Total expense in Surplus or Deficit on the Provision of Services	(4,767)	-	-	(4,767)	(4,767)	-	-	(4,767)
Interest income	-	388	156	544	-	469	59	528
Total income in Surplus or Deficit on the Provision of Services	-	388	156	544	-	469	59	528
Net gain / (loss) for the year	(4,767)	388	156	(4,223)	(4,767)	469	59	(4,239)

NOTES TO THE ACCOUNTS

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

For each of the categories of Financial Assets and Liabilities an assessment of the carrying amount against fair value has been made and in all cases the carrying amount was found to be equal to fair value.

18. Assets Held for Sale

	2016/17 £'000	2015/16 £'000
Balance outstanding at start of year	796	363
Assets newly classified as held for sale:		
- Property, Plant and Equipment	79	443
Revaluation gains	43	353
Assets sold	(796)	(363)
Balance outstanding at year-end	122	796

19. Debtors

	31 March 2017 £'000	Restated 31 March 2016 £'000
Central Government Bodies	864	1,090
Other Local Authorities	1,153	507
NHS Bodies	2	2
Public Corporations and Trading Funds	5	-
Other Entities and Individuals	2,262	2,625
TOTAL DEBTORS	4,286	4,224

In the Statement of Accounts 2015/16 debtors and bad debt provisions were shown separately. The Code of Practice requires the debtors to be shown net of any bad debt provisions. The 2015/16 position has been restated as shown in Note 6.

NOTES TO THE ACCOUNTS

20. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2016 £'000
Cash held by the Council	(2)	-
Bank current accounts	434	558
Short term deposits with Money Market Funds	35,326	28,905
Total Cash and Cash Equivalents	35,758	29,463

21. Creditors

	31 March 2017 £'000	31 March 2016 £'000
Central Government Bodies	6,628	1,249
Other Local Authorities	1,389	141
Other Entities and Individuals	8,123	6,890
TOTAL CREDITORS	16,140	8,280

22. Provisions

	Land Charges £'000	Subsidence Compensation £'000	Business Rates Appeals £'000	Insurances General Fund £'000	Insurances HRA £'000	Total £'000
<u>Provisions > 1 year:</u>						
Balance at 1 April 2016	-	-	3,275	252	180	3,707
Additional provisions made in 2016/17	-	-	643	47	-	690
Amounts used in 2016/17	-	-	-	-	(1)	(1)
Amounts payable < 1 year transferred to short term creditors	-	-	(2,837)	(41)	(36)	(2,914)
Balance at 31 March 2017	-	-	1,081	258	143	1,482
<u>Provisions < 1 year:</u>						
Balance at 1 April 2016	186	117	704	38	39	1,084
Additional provisions made in 2016/17	9	-	-	-	-	9
Amounts used in 2016/17	(32)	(55)	(962)	(41)	(36)	(1,126)
Unused amounts reversed in 2016/17	-	(62)	-	-	-	(62)
Amounts payable < 1 year transferred from L/T Provision	-	-	2,837	41	36	2,914
Balance at 31 March 2017	163	-	2,579	38	39	2,819

Business Rates Appeals

The appeals are complex and can take several years to be decided. The total level of the provision for appeals is £9.1m. The Council's share is included in the above table. Further details can be found in the Collection Fund section of the accounts.

NOTES TO THE ACCOUNTS

23. Unusable Reserves

31 March 2016 £'000		31 March 2017 £'000
35,432	Revaluation Reserve	56,375
788	Deferred Capital Receipts Reserve	788
59	Available For Sale Financial Instruments Reserve	74
218,238	Capital Adjustment Account	258,792
(13)	Financial Instruments Adjustment Account	(12)
(34,167)	Pensions Reserve	(37,938)
(3,535)	Collection Fund Adjustment Account	1,209
(282)	Accumulated Absences Account	(289)
216,520	TOTAL UNUSABLE RESERVES	278,999

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

2015/16 £'000		2016/17 £'000	£'000
18,763	Balance at 1 April		35,432
17,411	Upward revaluation of assets	21,688	
(6)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(5)	
17,405	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		21,683
(736)	Difference between fair value depreciation and historical cost depreciation	(740)	
(736)	Amount written off to the Capital Adjustment Account		(740)
35,432	Balance at 31 March		56,375

NOTES TO THE ACCOUNTS

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.

2015/16 £'000		2016/17 £'000
788	Balance at 1 April	788
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	-
788	Balance at 31 March	788

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains lost
- Disposed of and the gains realised.

2015/16 £'000		2016/17 £'000	
		£'000	£'000
76	Balance at 1 April		59
59	Upward revaluation of investments	74	
(76)	Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	(59)	
	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		15
59	Balance at 31 March		74

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account contains accumulated gains and losses on Investment Properties and Assets Held for Sale and in the case of Heritage Assets the gains on initial recognition of donated Heritage Assets with no outstanding conditions.

NOTES TO THE ACCOUNTS

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16		2016/17	
£'000		£'000	£'000
193,037	Balance at 1 April (credit)		218,238
	Note: figures in brackets are debits		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
12,279	- Charges for depreciation and impairment of non-current assets	31,079	
353	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	43	
(2)	- Amortisation of intangible assets	(1)	
(1,776)	- Revenue expenditure funded from capital under statute	(1,836)	
(4,317)	- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(3,285)	
6,537			26,000
736	Difference between fair value depreciation and historical cost depreciation		740
7,273	Net written out amount of the cost of non-current assets consumed in the year		26,740
	Capital Financing applied in the year:		
2,141	- Use of the Capital Receipts Reserve to finance new capital expenditure	4,304	
3,874	- Use of the Major Repairs Reserve to finance new capital expenditure	3,964	
570	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	917	
84	- Application of grants to capital financing from the Capital Grants Unapplied Account	481	
8,018	- Capital expenditure charged against the General Fund and HRA balances	4,194	
14,687			13,860
33	Minimum Revenue Provision		6
2,918	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(52)
290	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
218,238	Balance at 31 March		258,792

NOTES TO THE ACCOUNTS

Pensions Reserve

2015/16 £'000		2016/17 £'000
(45,431)	Balance at 1 April	(34,167)
13,874	Remeasurements of the net defined benefit liability	(2,060)
(4,769)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,109)
2,159	Employer's pensions contributions and direct payments to pensions payable in the year	2,398
(34,167)	Balance at 31 March	(37,938)

Collection Fund Adjustment Account

Council Tax 2015/16 £'000	NNDR 2015/16 £'000	Total 2015/16 £'000		Council Tax 2016/17 £'000	NNDR 2016/17 £'000	Total 2016/17 £'000
55	(3,723)	(3,668)	Balance at 1 April	71	(3,606)	(3,535)
16	117	133	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(84)	4,828	4,744
71	(3,606)	(3,535)	Balance at 31 March	(13)	1,222	1,209

Accumulated Absences Account

2015/16 £'000		2016/17 £'000	2016/17 £'000
(282)	Balance at 1 April		(282)
282	Settlement or cancellation of accrual made at the end of the preceding year	282	
(282)	Amounts accrued at the end of the current year	(289)	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(7)
(282)	Balance at 31 March		(289)

NOTES TO THE ACCOUNTS

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(541)	Interest received	(519)
4,766	Interest paid	4,766
2	Interest Element of finance lease payments	2

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2015/16 £'000		2016/17 £'000
(5,617)	Depreciation	(5,957)
17,896	Impairment and revaluations in consolidated income and expenditure	37,038
(2)	Amortisation of intangible assets	(1)
(949)	(Increase) / decrease in creditors	(5,589)
914	Increase / (decrease) in debtors	(566)
(37)	(Increase) / decrease in provision for bad debt	(100)
(14)	Increase / (decrease) in inventories	(9)
(2,610)	Movement in pension liability	(1,711)
(3,964)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(3,182)
2,120	Other non-cash items charged to the net surplus or deficit on the provision of services	234
<hr/>		<hr/>
7,737		20,158

The (surplus) or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2015/16 £'000		2016/17 £'000
4,490	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,974
655	Any other items for which the cash effects are investing or financing cash flows	729
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5,145		5,703

NOTES TO THE ACCOUNTS

25. Cash Flow Statement – Investing Activities

2015/16 £'000		2016/17 £'000
13,172	Purchase of property, plant and equipment, investment property and intangible assets	12,583
33,200	Purchase of short-term and long-term investments	31,178
(4,490)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(4,974)
(34,000)	Proceeds from the sale of short-term and long-term investments	(26,903)
(1,473)	Other receipts from investing activities	(1,398)
6,410	Net cash flows from investing activities	10,486

26. Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
1	Other receipts from financing activities	744
33	Cash payments for the reduction of the outstanding liabilities relating to finance leases	6
-	Other payments for financing activities	561
34	Net cash flows from financing activities	1,311

27. 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.

	2016/17 £'000	2015/16 £'000
Allowances:		
Basic	212	216
Special Responsibility	54	51
Chair and Vice Chair Allowances	19	16
Co-Optees	1	1
Other Allowances (Travel, Subsistence, etc.)	7	9
Total Allowances	293	293

NOTES TO THE ACCOUNTS

28. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post Title		Salary	Pension	Total
		(inc Fees & Allowances) £	Contribution £	Remuneration Inc Pension Contribution £
Chief Executive	2016/17	111,570	16,042	127,612
	2015/16	126,995	18,033	145,028
Deputy Chief Executive	2016/17	93,684	13,058	106,742
	2015/16	86,190	12,239	98,429
Deputy Chief Executive	2016/17	87,051	13,058	100,109
	2015/16	86,190	12,239	98,429
Head of Finance	2016/17	76,749	11,512	88,261
	2015/16	75,990	10,791	86,781
TOTALS	2016/17	369,054	53,670	422,724
	2015/16	375,365	53,302	428,667

	Number of Employees		Number of Employees	
	Total 2016/17	Left in Year	Total 2015/16	Left in Year
£50,000 - £54,999	5	3	-	-
£55,000 - £59,999	1	-	3	1
£60,000 - £64,999	3	-	3	-
£70,000 - £74,999	1	1	-	-
£95,000 - £99,999	1	1	-	-

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	5	1	-	-	5	1	£53,153	£8,486
£20,001 - £40,000	2	2	-	1	2	3	£57,940	£89,210
£40,001 - £60,000	-	3	-	-	-	3	-	£138,765
Total cost included in bandings and in CIES	7	6	-	1	7	7	£111,093	£236,461

NOTES TO THE ACCOUNTS

29. External Audit Costs

	2016/17 £'000	2015/16 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	54	54
Audit Fee - Objections to Accounts	3	13
Fees payable to Grant Thornton for the certification of grant claims and returns	13	12
TOTAL PAID	70	79

30. Grant Income

	2016/17 £'000	2015/16 £'000
Credited to Taxation and Non-Specific Grant Income		
New Homes Bonus	(2,258)	(1,623)
Revenue Support Grant	(1,587)	(2,499)
Small Business Rate Relief Grant	(725)	(1,067)
Transition Grant	(40)	-
Self & Custom Build New Burdens Grant	(15)	-
Brownfields Register & PIP LA	(15)	-
Transparency Setup Grant	(8)	(8)
New Homes Bonus Returned Funding	(7)	(10)
Council Tax Annex Discount Grant	(3)	(2)
Council Tax Freeze Grant	-	(82)
Right to Move Grant	-	(71)
Council Tax Support Grant	-	(23)
<u>Capital Grants and Contributions:</u>		
- Pump Room Gardens Redevelopment	(93)	-
- Victoria Park Skateboard Park	(83)	(7)
- Indoor & Outdoor Sports Facilities	(48)	(185)
- Heritage Assets	(8)	-
- Flood Alleviation	(1)	-
- S106 Contribs towards social housing & play equipment	-	(695)
- S106 GP Surgery Contributions	-	(525)
TOTAL	(4,891)	(6,797)
Credited to Services		
DWP grants for Housing Benefits	(28,856)	(30,487)
Better Care Fund	(684)	(373)
Housing Benefit Administration Grant	(557)	(550)
Contribution towards NNDR Collection	(217)	(215)
Individual Electoral Registration	(31)	(11)
Local Land Charges	(9)	(128)
Development Control	(6)	-
Parliamentary Elections	(3)	-
Private Sector Hsg	-	(65)
TOTAL	(30,363)	(31,829)
TOTAL GRANTS	(35,254)	(38,626)

NOTES TO THE ACCOUNTS

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have legally binding conditions attached to them that will require the monies or property to be returned to the giver.

	2016/17 £'000	2015/16 £'000
Capital Grants / Contributions Receipts in Advance		
S106 Contributions towards social housing, sports facilities & play equipment	1,886	1,596
TOTAL	1,886	1,596

31. 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.

Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2017 are included within the figures shown in Note 30.

Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner:

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 35.

Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2016/17 the precepts issued totalled £1,305,773 (£1,233,065 2015/16). The major preceptors were:

	2016/17 £'000	2015/16 £'000
Warwick Town Council	334	321
Royal Leamington Spa Town Council	323	297
Kenilworth Town Council	178	177
Whitnash Town Council	132	113

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, the two Deputy Chief Executives and Heads of Service 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 £621,400 (£501,900 2015/16) were paid to voluntary organisations in which six members had positions on the governing body. 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:

NOTES TO THE ACCOUNTS

	2016/17 £'000	2015/16 £'000
Saint Chad's Trust (Bishop Tachbrook Community Centre)	321	129
Citizens' Advice Bureau	100	100
Shakespeare's England	56	86
Warwickshire Community and Voluntary Action (CAVA)	55	55
Leamington Lawn & Squash Club	-	30
The Chain	30	29
Kenilworth Tennis, Squash and Croquet Club	-	29
Coventry & Warwickshire LEP	29	20

Leamington Business Improvement District:

The Council acts as an agent in respect of Leamington Business Improvement District (Bid) whereby it collects the levy due on the Bid's behalf (£299,000 in 2016/17).

32. Capital Expenditure and Capital Financing

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	134,571	134,460
Capital Investment:		
Property, Plant and Equipment	14,775	13,007
Investment Properties	-	8
Revenue Expenditure Funded from Capital Under Statute	1,836	1,776
Finance Leases Principal	79	12
Sources of Finance:		
Capital Receipts	(4,304)	(2,141)
Government grants and other contributions	(1,390)	(647)
Major Repairs Account	(3,964)	(3,874)
Sums set aside from revenue	(4,200)	(8,018)
Adjustment for expenditure where MRP is being met by Asset Life or Depreciation Methods	-	(12)
Closing Capital Financing Requirement	137,403	134,571

33. Leases

Authority as Lessor

The Council, as a lessor, does not have any leases which qualify as finance leases.

Operating Leases

With effect from 1st April 2010, the Council entered into an operating lease with Mack Trading whereby the Council leased out the operation of the Newbold Comyn Golf Course for a term of 50 years at a rent of £20,000 per annum commencing in year 4 and subject to 5 yearly rent reviews.

Within the Housing Revenue Account the Council has a number of shops etc. which whilst still forming part of its Operational non-current assets are leased out on a commercial basis in order to derive rental income.

The future minimum lease payments receivable under non-cancellable leases in future years are:

NOTES TO THE ACCOUNTS

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	315	326
Later than one year and not later than five years	1,358	1,404
Later than five years	800	820
	2,473	2,550

34. Impairment/Revaluation Losses

Within the Housing Revenue Account, as a result of generally rising house prices and also the change in the percentage factor whereby council housing stock is reduced from open market value to social housing value the Council has recognised a revaluation impairment gain amounting to £45,486,844 relating to its housing stock which has significantly reversed previous revaluation impairment losses charged to the HRA. Social housing stock is now valued at 40% of the open market value as opposed to the previous 34%. It has also recognised an impairment loss of £8,708,336 in respect of the buildings element of the new Sayer Court development due to the social housing discount factor previously mentioned.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme administered locally by Warwickshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

NOTES TO THE ACCOUNTS

	2016/17 £'000	2015/16 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- current service cost	2,906	3,298
<i>Financing and Investment Income and Expenditure:</i>		
- net interest expense	1,203	1,471
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>4,109</u>	<u>4,769</u>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(16,979)	1,233
- Actuarial gains and losses arising on changes in demographic assumptions	(1,588)	-
- Actuarial gains and losses arising on changes in financial assumptions	22,759	(13,220)
- Other	(2,132)	(1,887)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<u>6,169</u>	<u>(9,105)</u>
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4,109)	(4,769)
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employer's contributions payable to scheme	<u>2,398</u>	<u>2,159</u>

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	160,688	138,048
Fair value of plan assets	(122,750)	(103,881)
Net liability arising from defined benefit obligation	<u>37,938</u>	<u>34,167</u>

NOTES TO THE ACCOUNTS

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2016/17 £'000	2015/16 £'000
Opening fair value of scheme assets	103,881	103,378
Interest income	3,604	3,284
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	16,979	(1,233)
The effect of changes in foreign exchange rates		
Contributions from employer	2,398	2,159
Contributions from employees into the scheme	751	740
Benefits paid	(4,863)	(4,447)
Closing fair value of scheme assets	122,750	103,881

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

	2016/17 £'000	2015/16 £'000
Opening balance at 1 April	138,048	148,809
Current service cost	2,906	3,298
Interest cost	4,807	4,755
Contributions from scheme participants	751	740
Remeasurement (gains) / losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	(1,588)	-
- Actuarial gains / losses arising from changes in financial assumptions	22,759	(13,220)
- Other experience	(2,132)	(1,887)
Benefits paid	(4,863)	(4,447)
Closing balance at 31 March	160,688	138,048

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2017			Period Ended 31 March 2016		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Cash and cash equivalents	1,661	-	1,661	1,207	-	1,207
Equity Securities (by industry type):						
- Consumer	14,284	-	14,284	11,685	-	11,685
- Manufacturing	5,221	-	5,221	4,357	-	4,357
- Energy and Utilities	2,301	-	2,301	1,989	-	1,989
- Financial Institutions	6,566	-	6,566	5,661	-	5,661
- Health and Care	4,446	-	4,446	3,463	-	3,463
- Information Technology	3,502	-	3,502	2,839	-	2,839
- Other	5,854	-	5,854	3,972	-	3,972
Sub-total equity	42,174	-	42,174	33,966	-	33,966
Property:						
- UK Property	11,506	-	11,506	11,918	-	11,918
- Overseas Property	82	-	82	88	-	88
Sub-total property	11,588	-	11,588	12,006	-	12,006
Private Equity:						
- All	-	4,317	4,317	-	2,812	2,812
Investment Funds and Unit Trusts:						
- Equities	30,450	-	30,450	25,611	-	25,611
- Bonds	20,831	-	20,831	17,442	-	17,442
- Hedge Funds	-	5,359	5,359	-	5,170	5,170
- Infrastructure	-	1,479	1,479	-	915	915
- Other	4,891	-	4,891	4,752	-	4,752
Sub-total Investments	56,172	6,838	63,010	47,805	6,085	53,890
TOTAL ASSETS	111,595	11,155	122,750	94,984	8,897	103,881

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Warwickshire County Council Fund liabilities have been assessed by Hymans Robertson, 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 2016.

NOTES TO THE ACCOUNTS

The significant assumptions used by the actuary have been:

	2016/17	2015/16
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.6%	3.5%
Bonds	2.6%	3.5%
Property	2.6%	3.5%
Cash	2.6%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.5 years	22.4 years
Women	24.7 years	24.4 years
Longevity at 65 for future pensioners:		
Men	24.3 years	24.3 years
Women	26.7 years	26.6 years
Rate of inflation	3.4%	3.2%
Rate of increase in salaries	3.0%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate of discounting scheme liabilities	2.6%	3.5%

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

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	5,522	(5,522)
Rate of increase in salaries (increase or decrease by 0.5%)	2,323	(2,323)
Rate of increase in pensions (increase or decrease by 0.5%)	12,515	(12,515)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	15,062	(15,062)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The Council anticipates paying £2,257,000 expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.6 years, 2016/17 (18 years 2015/16).

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

NOTES TO THE ACCOUNTS

actuary has estimated the value of assets using the actual return on assets to December 2016 and has estimated the return on assets for January to March 2017.

36. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy.

Credit Risk

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with each type of financial institution located within each category.

The decision by the UK in June 2016 to leave the EU resulted in a downgrading of the UK's sovereign credit rating which affected the credit risk within the Council's Investments portfolio. The forthcoming "Brexit" negotiations also have the potential to impact on the credit risk within the portfolio particularly if the UK is seen to accept a deal which worsens it's economic prospects. This potential negative impact will be monitored as negotiations proceed and the Annual Investment Strategies for 2017/18 onwards amended as appropriate with subsequent approval from the Council.

The credit criteria at 1st April 2017 in respect of investments held by the Council are:

Counterparty limits

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Proportion of Portfolio at 31st March 2017 £'000
Specified instrument: (repayable within 12 months)	(FITCH or equivalent)					
Bank - Private UK (includes Fixed Term Deposits, CD's, and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£4m	364 days	13,825
	F1	A+	UK Sovereign	£6m	364 days	10,000
	F1	AA- & above	UK Sovereign	£7m	364 days	11,047
Corporates (Category 3 FRN'S, Bonds)	F1	A	UK Sovereign	£4m	364 days	4,537
	F1	A+	UK Sovereign	£5m	364 days	0
	F1	AA- & above	UK Sovereign	£6m	364 days	0
Money Market Fund (CNAV)	AAAm / Aaa-mf/AAAmmf			£9m	liquid	25,125
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1			£6m	liquid	6,000
					Total	70,534

Where appropriate the Council makes use of a credit checking agency so that customers for goods and services e.g. major contracts are assessed and suitable credit limits set. At 31 March 2017, sundry debts outstanding stood at £2.2m of which £0.6m related to general debts and £1.6m to Housing Benefit and Council Tax Support overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.07m and £0.79m have been established in respect of the general

NOTES TO THE ACCOUNTS

debts and Housing and Council Tax Benefit Overpayments respectively. An analysis by age of the £2.2m less £0.86m bad debts provision follows:

	31 March 2017 £'000	31 March 2016 £'000
Less than three months	559	1,077
Four to six months	84	328
Seven to nine months	79	60
Ten to twelve months	85	38
More than one year	529	669
Total	1,336	2,172

At 31 March 2017, outstanding arrears in respect of council house rents and charges stood at £1.261m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £0.953m has been established.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council is able to borrow, subject to the limits imposed by the relevant Prudential Indicators, from the Money Markets to make up the shortfall. The relevant Prudential Indicators in this instance are the Operational Boundary for External Debt which manages the day to day cash flow requirements and the Authorised Limit for External Debt which sets an absolute ceiling on the amount of borrowing allowed.

All of the Council's trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council's external borrowing is made up of PWLB Fixed Rate Maturity loans with maturities of between 41 and 50 years and the average rate of the portfolio is 3.50%. This gives certainty in terms of interest payments but prevents the Council benefiting from any future reductions below this in interest rates.

The main risk to its investment income comes from movements in Bank Rate and the Money Market Rates. For instance, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

The treasury management team has an active strategy for assessing interest rate exposure.

According to this assessment strategy, based on the 2016/17 out-turn a 0.25% movement upwards in interest rates would have produced an additional £0.192m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council invests in Certificates of Deposits and Corporate Bonds which are instruments where the price fluctuates, the Council manages this risk by only purchasing such investments with a relatively short term to run and by holding the investments to maturity

NOTES TO THE ACCOUNTS

thus nullifying the effect of price fluctuations as the investments are redeemed at par i.e. face value

37. Fair Value – Financial Instruments Loans and Investments

The Council took out £136.157m in PWLB fixed interest rate long term loans with varying maturities of between 41 and 50 years on the 28th March 2012 in order to fulfil its obligations under the new HRA self-financing regime. Although PWLB long term loans are carried in the balance sheet at amortised cost, the Council is required to disclose the fair value of these loans. This requires a calculation of the net present value of the cash flows that are scheduled to take place over the remaining life of each loan. The fair value of these loans will be different to the amortised cost if prevailing interest rates differ from those applicable to the loans when taken out. The introduction of IFRS13 requires that the fair value is calculated using two different interest rates, the PWLB redemption rate and the PWLB certainty rate. The Council's Treasury Management consultants, Capita Asset Services, has calculated the required fair values and the fair value of these PWLB loans at 31st March using the PWLB redemption rate is £221,328,548. The difference between this figure and the £136.157m carried in the balance sheet represents the premiums that would be charged for early redemption of the loans as the current interest rates are below those in force when the borrowing took place in March 2012. However, the Council has a continuing ability to borrow from the PWLB at its certainty rate and on this basis the fair value of the £136.157m is £175,690,019 including potential premiums of £39,533,019. IFRS 13 requires disclosure of the valuation method by which the fair value is arrived at. There are three levels of inputs and in this instance Capita Asset Services has adopted a level 2 input basis i.e. "inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly".

Similarly, the Council's Certificate of Deposit investments have been revalued in the accounts to fair value at 31st March 2017 using prices supplied by its custodians, King & Shaxson Ltd. at 31st March 2017. As these prices directly relate to these investments within an active market it is considered that the prices supplied by King & Shaxson are on a Level 1 basis.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

2015/16 £'000	Notes	2016/17	
		£'000	£'000
EXPENDITURE			
5,852	Repairs and Maintenance	5,337	
5,711	Supervision and Management	5,708	
118	Rents, Rates, Taxes and Other Charges	115	
215	Increased Provision for Bad Debts	78	
(15,735)	Depreciation and Impairment of Non-Current Assets	5	(33,328)
49	Amortisation of Intangible Assets & Revenue	-	
	Expenditure Funded from Capital Under Statute		
(3,790)	TOTAL EXPENDITURE		(22,090)
INCOME			
(25,774)	Dwelling Rents	(25,587)	
(822)	Non-Dwelling Rents	(809)	
(846)	Charges for Services and Facilities	(885)	
(629)	Contributions Towards Expenditure	(539)	
(28,071)	TOTAL INCOME		(27,820)
(31,861)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure		(49,910)
74	HRA services share of Corporate and Democratic Core		73
24	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		21
(31,763)	Net Income for HRA Services		(49,816)
(550)	Gain or Loss on sale of HRA non-current assets		(1,822)
4,766	Interest payable and similar charges		4,765
174	Pensions Interest Cost and Expected Return on Pensions Assets		159
(199)	HRA Interest and Investment Income		(208)
(27,572)	(Surplus) / Deficit for the year on HRA services		(46,922)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE STATEMENT

The 'Surplus or (Deficit) for the year on Housing Revenue Account (HRA) services' line shows the true economic cost of providing the authority's services. The 'Net Increase / (Decrease) before transfers to earmarked reserves' line shows the change in the statutory Housing Revenue Account Balance before any discretionary transfers to or from reserves undertaken by the Council.

2015/16 £'000		Notes	2016/17 £'000	£'000
1,353	Balance on the HRA at the end of the previous year			1,386
27,572	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement		46,922	
(28,350)	Adjustments between accounting basis and funding basis under statute	Main Notes 9	(44,549)	
(778)	Net increase or (decrease) before transfers to or from reserves		2,373	
811	Transfers (to) or from reserves		(2,359)	
33	Increase or (decrease) in year on the HRA			14
1,386	Balance on the HRA at the end of the current year			1,400

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:

	31 March 2017 Nos.	31 March 2016 Nos.
Houses	2,412	2,449
Flats	2,436	2,355
Bungalows	670	669
	5,518	5,473

The change in housing stock can be summarised as follows:

	2016/17 Nos.	2015/16 Nos.
Housing Stock at 1 April	5,473	5,495
New build	81	-
Purchases	-	21
Reclassification from non-operational to operational stock	11	
Right to Buy Sales	(47)	(43)
	5,518	5,473
Housing Stock at 31 March	5,518	5,473

2. Housing Revenue Account Non-Current Assets and Assets Held For Sale

The total Housing Revenue Account non-current assets and assets held for sale can be analysed as follows:

	31 March 2017 £'000	1 April 2016 £'000
Council Dwellings	351,171	282,803
Other Properties	6,564	6,475
Land	275	271
Equipment	237	55
Assets Under Construction	4	6,526
Surplus Assets	-	441
Assets Held for Sale	122	796
	358,373	297,367
Total Balance Sheet Items	358,373	297,367

NOTES TO THE HOUSING REVENUE ACCOUNT

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 to 34% of the market valuation) is the 'Economic Cost' of providing council housing at less than open market rents.

	1 April 2017 £'000	1 April 2016 £'000
Vacant Possession Value of Dwellings (Open Market Value)	826,455	769,171
Balance Sheet Value of Dwellings (Social Housing Value) (34.15% of Open Market Value)	283,246	262,666
Economic Cost to Government	543,209	506,505

4. Summary of Capital Expenditure Funding Sources

	2016/17 £'000	2015/16 £'000
Usable Capital Receipts	3,211	1,672
Revenue and Other Contributions	4,102	6,958
Major Repairs Reserve	3,964	3,874
TOTAL CAPITAL EXPENDITURE FUNDING	11,277	12,504

5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken for the 1st April 2017 valuation by the Council's valuers, Carter Jonas LLP. This resulted in a net increase in the value of the Council's housing stock of £56.241m. Revaluation gains of £19.462m were credited to the Housing Revenue Account Revaluation Reserve, £8.708m of revaluation losses were debited to the Housing Revenue Account arising from the construction and consequent valuation of Sayer Court and £45.487m was credited to the Housing Revenue Account to partially reverse previous years revaluation impairments made to that account.

The housing stock is valued on an "Existing Use – Social Housing" (EUV-SH) basis, derived from the Open Market Value (OMV), discounted by a Regional Adjustment Factor, which is determined by the Department for Communities and Local Government (DCLG). Currently, this is just 40% of the Open Market Value.

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Summary of Capital Receipts

	2016/17 £'000	2015/16 £'000
Sale of Council Houses	4,925	3,307
Other Non RTB Sales	47	757
Sale of Land	30	-
	<hr/>	<hr/>
TOTAL CAPITAL RECEIPTS	5,002	4,064

7. Depreciation of Fixed Assets

	2016/17 £'000	2015/16 £'000
Council Dwellings	2,923	2,639
Other Buildings	517	349
Equipment	11	25
	<hr/>	<hr/>
TOTAL DEPRECIATION	3,451	3,013

8. Arrears and Provision for Bad or Doubtful Debts

	2016/17 £'000	2015/16 £'000
<u>HRA Rent & Charges Arrears</u>		
Current Tenant Rent Arrears	642	872
Former Tenant Rent Arrears	248	234
	<hr/>	<hr/>
Dwelling Rent Arrears	890	1,106
Garage Rent Arrears	5	8
Supporting People Charge Arrears	43	39
Court Cost Arrears	144	141
Overpayment of Benefit Arrears	179	187
	<hr/>	<hr/>
Total Arrears	1,261	1,481
<u>Prepayments</u>		
Dwelling Rent Prepayments	(370)	(315)
Garage Rent Prepayments	(13)	(12)
Other Prepayments	(6)	(7)
	<hr/>	<hr/>
Total Prepayments	(389)	(334)
	<hr/>	<hr/>
Net Arrears	872	1,147
<u>HRA Bad Debt Provisions</u>		
Rent Bad Debt Provision	(780)	(883)
Court Cost Bad Debt Provision	(173)	(160)
	<hr/>	<hr/>
Total Bad Debt Provisions	(953)	(1,043)

COLLECTION FUND

This statement details the transactions relating to the collection of council tax and business rates. The Council acts as an agent to collect council tax and business rates on behalf of Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner and business rates on behalf of the Government.

2015/16			2016/17			
Council Tax	Business Rates	Total	Notes	Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
INCOME						
(79,858)	-	(79,858)		(83,978)	-	(83,978)
-	(68,221)	(68,221)		-	(70,315)	(70,315)
(79,858)	(68,221)	(148,079)		(83,978)	(70,315)	(154,293)
Contributions towards earlier years' Collection Fund Deficit:						
-	(1,497)	(1,497)		-	(4,515)	(4,515)
-	(300)	(300)		-	(903)	(903)
-	(1,198)	(1,198)		-	(3,612)	(3,612)
-	(2,995)	(2,995)		-	(9,030)	(9,030)
(79,858)	(71,216)	(151,074)		(83,978)	(79,345)	(163,323)
EXPENDITURE						
Precepts and Demands:						
-	34,224	34,224		-	33,607	33,607
61,062	6,845	67,907		64,798	6,721	71,519
9,569	-	9,569		9,960	-	9,960
8,699	27,379	36,078		9,184	26,885	36,069
79,330	68,448	147,778		83,942	67,213	151,155
Distribution of earlier years' Collection Fund Surplus:						
-	-	-		386	-	386
-	-	-		61	-	61
-	-	-		55	-	55
-	-	-		502	-	502
Charges to the Collection Fund:						
286	346	632		217	630	847
-	215	215		-	214	214
100	-	100		80	-	80
-	1,431	1,431		-	(796)	(796)
-	465	465		-	(1)	(1)
-	14	14		-	15	15
-	3	3		-	-	-
386	2,474	2,860		297	62	359
(142)	(294)	(436)		763	(12,070)	(11,307)
(501)	9,308	8,807		(643)	9,014	8,371
(643)	9,014	8,371		120	(3,056)	(2,936)

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund is a statutory account which shows the transactions of the billing authority (Warwick District Council) in terms of Council Tax and Business Rates, and demonstrates how income from these sources is distributed to precepting bodies and the General Fund. The surplus or deficit on the Collection Fund at the yearend is distributed to, or recovered from, the billing authority and the precepting bodies on the basis of fund outturn balance estimates made in the January before the year end.

2. Council Tax

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. These numbers are adjusted for various items. The number of properties for each band is then converted into a Band D equivalent by applying a designated ratio to arrive at the Council Tax Base. Individual charges are determined by dividing the demands and precepts of the Council, Warwickshire County Council and The Office of the Warwickshire Police and Crime Commissioner by the Council Tax base. The Council Tax base for 2016/17 was calculated as follows:

Band	Dwellings in Banding List	Disabled Persons Adjustments No of Cases	Less Exemptions Properties Affected	Less Discounts	Adjusted Amount for Council Tax Band	Ratio	Band D Equivalent Dwellings
@	0	11	0	(1.90)	9.10	5 / 9	5.06
A	4,709	23	(207)	(727.90)	3,797.10	6 / 9	2,531.40
B	11,482	49	(518)	(1,353.60)	9,659.40	7 / 9	7,512.87
C	16,567	5	(455)	(1,411.80)	14,705.20	8 / 9	13,071.29
D	12,371	(27)	(271)	(928.30)	11,144.70	9 / 9	11,144.70
E	7,040	(16)	(314)	(390.00)	6,320.00	11 / 9	7,724.44
F	4,866	(12)	(91)	(187.90)	4,575.10	13 / 9	6,608.48
G	3,933	(13)	(33)	(104.80)	3,782.20	15 / 9	6,303.67
H	418	(20)	(9)	34.60	423.60	18 / 9	847.20
	61,386	0	-1,898	(5,071.60)	54,416.40		55,749.11
							Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties
							882.60
							Less Council Tax Support Scheme
							(4,752.51)
							COUNCIL TAX BASE 2016/17
							51,879.20

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 49.7p.

The total rateable value of properties in the Warwick District area was £164,310,437 at 31 March 2017.

GLOSSARY

This section explains complicated terms that have been used in this document.

Accruals

Cost of goods and services received in the year but not yet paid for.

Actuarial gain (loss)

The changes in the pension fund's deficits or surpluses that arise because of:

- a) Events have not coincided with the assumption used by the actuary when carrying out the previous triennial valuation of the fund; or
- b) The actuary changing the assumptions used in the current triennial valuation exercise from those used previously.

Agency

Where one Authority (the main Authority) pays another Authority (the agent) to do work for them.

Amortisation

The drop in value of intangible assets as they become out of date.

Asset

An item which is intended to be used for several years such as a building or a vehicle.

Band D Equivalent

Council Tax is a tax on domestic properties. Each domestic property is placed in a 'band' from A to H based on the capital value of that property in April 1991. Band D is the middle band and the other bands are weighted in relation to Band D. (e.g. Band A is weighted 5/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produced the Band D Equivalent number of properties.

Best Value

Under the Local Government Act 1999, Local Authorities must constantly aim to improve their services. Best Value was the approach introduced that gives Local Authorities a duty to provide local people with high-quality and efficient services.

Billing Authority

This is the Local Authority which collects the Council Tax for its area. In shire counties the District or Borough Council is the billing Authority.

Budget

A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound. From 1 April 2013 Government reforms have amended this process by allowing some degree of Business Rate retention.

Business Rate Retention Scheme

Councils are able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. It provides a direct link between business rates growth and the amount of money councils will have to spend on local people and local services.

Capital Adjustment Account

Resources set aside to meet past capital expenditure.

GLOSSARY

Capital programme

Our plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital receipt

Income from selling assets that have a long-term value. Capital receipts can be used to finance new capital expenditure within rules set by central government, but they cannot be used to finance day-to-day spending.

Capital spending

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles.

Capital spending charged to revenue

Paying for capital spending direct from the Council's revenue monies.

Cash-flow statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

CIPFA

Chartered Institute of Public Finance and Accountancy. One of the major accountancy institutes which specialises in the public sector.

Collection Fund

A fund managed by the billing Authority (this Council) to receive Business Rates income and Council Tax income. It is also used to make payments to the national business rates pool and to pay a share of Council Tax collected to the County Council, Police Authority, this Council and the town and parish councils.

Contingent liability

A possible liability which may arise when we know the outcome of outstanding claims made against us.

Corporate and democratic core

Spending relating to the need to co-ordinate and account for the many services we provide to the public including the cost of member representation and activities associated with public accountability.

Council Tax

A tax charged on domestic householders based on which of eight Council Tax Bands their property falls into. There is a reduction for empty properties or if you live on your own. From 1 April 2013 councils must have a Council Tax Reduction Scheme which allows for Council Tax reductions of people, or classes of people, that are considered to be in financial need. In Warwickshire, the District or Borough Council issues Council Tax bills and collects the Council Tax.

Council Tax Base

An assessment by each billing Authority of the number of converted to Band D equivalents (the average band) properties, after allowing for non-collection and new properties, on which a tax can be charged.

Creditors

People or organisations we owe money to for work, goods or services which have not been paid for by the end of the financial year.

Current assets

Short-term assets that constantly change in value such as stocks, debtors and bank balances.

GLOSSARY

Current liabilities

Monies that are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

Current service cost

The current service cost is the increase in the value of the pension scheme's future pension liabilities arising from the employee's on-going membership of the pension scheme.

Current spending

The yearly running costs of Local Authorities, not including specific grants and the cost of buying our assets.

Curtailment costs

Curtailment costs are the amounts of money that are paid to a new pension scheme when a defined group of staff transfer from one pension scheme to another. The costs represent the value of the pension rights accrued by the transferring staff.

Debtors

People who owe us money that is not paid by the end of the financial year.

Depreciation

The drop in the value of assets such as buildings and vehicles which reflects wear and tear, age and the asset becoming out of date.

Earmarked reserves

Money set aside for a specific purpose.

Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financial Reporting Standard (FRS)

Recommendations on the way we need to treat certain items in our accounts.

General reserves

Money set aside to be used in the future to meet unforeseen eventualities.

Government grants

Payment by the Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant).

Gross spending

The cost of providing our services before allowing for government grants or other income.

International Financial Reporting Standards (IFRS)

Accounting standards/ practices on the way we need to treat certain items in our accounts.

Inventories

Goods bought which have not yet been used.

Leasing

A method of renting the use of vehicles, machinery and equipment. The items do not belong to us, but are the property of the leasing company to whom we pay rentals.

Liabilities

Money we will have to pay to people or organisations in the future.

GLOSSARY

Loss

The amount left over when expenses are higher than all income received.

Material related-party transactions

Two or more organisations are 'related parties' if, during the year, one of them has some form of control over the other. By 'material' we mean of 'significant value'.

Minimum revenue provision (MRP)

The statutory minimum amount by which the Council must set aside each year to repay loans.

Net book value

The value of an asset after depreciation.

Net spending

The cost of providing a service after allowing for specific grants and other income from fees and charges (i.e. not including Council Tax and money from the Government).

Non-distributed costs

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

Notional

An accounting entry where there is no actual cash transfer.

Operating leases

When we lease goods using this type of lease, ownership of the goods and any profits or losses remain with the company (the lessor) leasing the goods to us.

Overheads

Spending on items not directly related to the supply of our services, for example, office cleaning costs.

Past service costs

The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

Pensions interest cost and expected return on assets

All members of the scheme are one year older. The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

Petty Cash

Small sums of cash kept by departments to pay minor expenses.

Precept

The amount each non-billing Authority, (County Council, Police Authority) asks a billing Authority (this Council) to collect every year to meet their spending.

Property, Plant and Equipment

An item that is intended to be used for several years such as a building or a vehicle.

Provisions

Money set aside to meet specific service liabilities, and to meet spending.

Prudential Code

A statutory code of practice that sets out the framework for Local Authority capital finance that ensures:

- Capital expenditure plans are affordable;

GLOSSARY

- All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- Treasury management decisions are taken in accordance with professional good practice.

Rateable Value (RV)

A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Inland Revenue's Valuation Office Agency.

Reconciliation

A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

Reimbursements

Payments we receive for work we do for other public organisations, for example, the Government.

Reserves and funds

Savings we have built up from surpluses.

Revaluation Reserve

Store of gains on the revaluation of fixed assets.

Revenue spending

Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from Council Tax, government grants, fees and charges.

Revenue Support Grant

The main government grant to support local authority services.

Soft Loans

Loans made at less than the market rate of interest.

Specific grants

Payments from the Government to cover Local Authority spending on a particular service or project. Specific grants are usually a fixed percentage of the costs of a service or project.

Surplus

The remainder after taking away all expenses from income.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL

We have audited the financial statements of Warwick District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes (these included the Expenditure and Funding Analysis Note on page 19). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our consideration of objections brought to our attention by local authority electors under Section 27 of the Act. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Xx September 2017

ANNUAL GOVERNANCE STATEMENT

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require the Council to prepare an annual governance statement.
- 1.2 Governance is about how an organisation is directed and controlled in order to achieve its objectives. It therefore comprises the systems, structures and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct.
- 1.3 Good governance comprises robust systems and sound structures together with more esoteric characteristics such as effective leadership and high standards of behaviour. In short, governance is "Doing the right things, in the right way."

2. THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

- 2.1 This Statement provides a summarised account of how our management arrangements are set up to meet the principles of good governance set out in our Constitution and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made and any weaknesses or gaps in our arrangements that need to be addressed.

3. THE COUNCIL'S GOVERNANCE FRAMEWORK

- 3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 3.2 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.
- 3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.
- 3.4 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.
- 3.5 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 aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a code of corporate governance that is consistent with the principles of the CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government that was issued in 2012. The CIPFA/SOLACE Framework was updated and re-issued during 2016, however, and the Council therefore needs to revise its Local Code to reflect the changes.

¹ Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives

ANNUAL GOVERNANCE STATEMENT

- 3.7 The Council's Corporate Strategy is the Sustainable Community Strategy which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved.
- 3.8 It is complemented by the Fit For the Future change programme and together these represent the key planning documents for the Council.
- 3.9 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the council's performance appraisal system. These all include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services.
- 3.10 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Members' Codes of Conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee from 1 July 2012. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.11 The Constitution contains procedure rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team.
- 3.12 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.13 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.14 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.
- 3.15 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
 - Head of Finance being a member of Leadership Team.
 - Head of Finance having responsibility for Asset Management.
- 3.16 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior members. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has subsisted

ANNUAL GOVERNANCE STATEMENT

for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low.

- 3.17 With regard to asset management, responsibility for this comes under the Head of Housing & Property Services as that is where the expertise and the operational work lies. (Housing and Property functions are to be separated from 2017/18.)
- 3.18 The Council will continue to keep all reporting and responsibility arrangements under review and will discuss any perceived shortcomings with the Council's external auditors if and when they arise.
- 3.19 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.20 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the Council's audit committee core functions in respect of External Audit, Internal Audit and Risk Management. The Committee can, and does, request assurance from the relevant Executive member (Portfolio Holder) and/or senior manager when it has concerns or queries, or simply requires assurance, in respect of a matter relating to a particular service area.
- 3.21 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against Members.
- 3.22 The Council has policies to safeguard both itself and its staff when making decisions. An Anti-Fraud and Corruption Strategy and Policies, including the Council's Fraud Response Plan, Whistleblowing, Money Laundering and Bribery Act 2010 Policies have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by Members annually.
- 3.23 The Council has embedded Risk Management throughout its activities with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before finally reaching the Executive.
- 3.24 Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.
- 3.25 The individual performance appraisal system has been operated in the council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that are linked through to the Corporate Strategy and Fit For the Future via service objectives. The performance appraisal system also identifies developmental and training needs to ensure that appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs.

ANNUAL GOVERNANCE STATEMENT

- 3.26 In May 2015 Warwick District Council elected a new Council. The Council put in place a Member induction programme, with training sessions around the internal operation of the council and information about the council's services. All Members received Code of Conduct and IT training. The Planning and Licencing Committees held induction training for their members. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all Members, when required.
- 3.27 The Council continues to ensure it is open and accessible to the community. In 2016/17 it has:
- Published further information on the transparency section of the website to meet new guidelines.
 - Enhanced its consultation activity concerning budget setting. For example, a meeting was held with local business representatives to discuss the Council's budget proposals, along with other matters of mutual interest (primarily business rates revaluation).
- 3.28 All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council. When identifying the priorities and objectives for the Strategic Plan the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.
- 3.29 During 2016/17 the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, including the introduction of charges for waste containers as well as action on letting boards. In addition, 'Task and Finish' groups were set up to review Houses in Multiple Occupation (HIMOs) and Car Parking Charges.
- 3.30 There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. We also work closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.

4. REVIEW OF EFFECTIVENESS

- 4.1 Warwick District Council is required under legislation to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, and also by the findings and reports issued by the external auditors and other review agencies and inspectorates.
- 4.2 More information on the arrangements that provide this assurance is set out below.
- 4.3 The Council's Monitoring Officer (a Deputy Chief Executive) has responsibility for overseeing the implementation and monitoring the operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, considering any changes that may be necessary to maintain it and ensure its effectiveness in practice. All reports to Executive, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.
- 4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing the Code of Financial Practice to ensure they remain fit for purpose, and

ANNUAL GOVERNANCE STATEMENT

submitting any additions or changes necessary to the full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Code of Financial Practice to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by the Section 151 Officer to ensure compliance with financial requirements.

- 4.5 The Council's Internal Audit Service is required to provide annually an independent and objective opinion to the Authority on its risk management, governance and control environment. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2016/17 concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included the collation of assurances from all heads of services on the effectiveness of the internal control environment. A review of the service assurance statements, as they are called, concluded that, based on this self-assessment, effective controls were in place.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. An internal assessment of the performance of Internal Audit and its conformance with the PSIAS has been undertaken and the findings of this review have been reported to Members for their consideration as part of the Audit and Risk Manager's Annual Report and Opinion. An essential element of this assessment is to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance.
- 4.8 Grant Thornton was appointed as the Council's External Auditor from 1 September 2012 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2016/17 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 4.9 The Council is required to appoint new auditors prior to the 2018/19 financial year, for which the Council has agreed to opt in to the Public Sector Audit Appointments arrangements. This means that rather than run the procurement exercise itself, which would be extremely time-consuming and therefore costly, it is utilising the resources and expertise of a body specially set up to assist local authorities appoint their external auditors.

5 GOVERNANCE ISSUES

- 5.1 Although no significant governance issues have been identified, some lesser areas of importance have been recognised. These are set out below:
1. The need to ensure that lessons are learned corporately from the Electrical Maintenance Contract Procurement.
 2. The requirement to update the Council's Local Code of Corporate Governance in the light of recently-revised CIPFA/SOLACE guidance.

ANNUAL GOVERNANCE STATEMENT

6 CERTIFICATION

- 6.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2017 and up to the date of approval of the annual statement of accounts.
- 6.2 Action will be taken to address the governance matters that have been identified.

Signed:

Andrew Mobbs
Leader of the Council

Chris Elliott
Chief Executive

Dated:

6 June 2017

6 June 2017