

A meeting of the Finance and Audit Scrutiny Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 30 July 2019 at 6.00pm.

### Membership:

Councillor J Nicholls (Chair)

Councillor L Bartlett

Councillor S Syson

Councillor J Dearing

Councillor N Tangri

Councillor R Dickson

Councillor J Tracey

Councillor O Jacques

Councillor T Wright

Councillor V Leigh-Hunt

Vacancy – Whitnash RA

### Emergency Procedure

At the commencement of the meeting, the emergency procedure for the Town Hall will be announced.

### Agenda

#### Part A – General Items

#### 1. Apologies & Substitutes

- (a) to receive apologies for absence from any Councillor who is unable to attend; and
- (b) to receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

#### 2. Declarations of Interest

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

#### 3. Minutes

To confirm the minutes of the meetings held on 9 July 2019

**(Pages 1 to 6)**

## **Part B - Audit Items**

### **4. Statement of Accounts and Audit Findings Report 2018/19**

To consider a report from Finance

**(To follow)**

## **Part C – Scrutiny Items**

### **5. Finance – Service Area Update**

To consider a report from Finance

**(Pages 1 to 48)**

### **6. Review of the Work Programme and Forward Plan**

To consider a report from Civic & Committee Services

**(Pages 1 to 9)**

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The agenda is available in large print on request, prior to the meeting, by telephoning (01926) 456114

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 9 July 2019 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillors Ashford, Bartlett, J Dearing, R Dickson, Leigh-Hunt, Syson, Tangri and Wright.

**Also present:** Councillors Falp, Matecki and Rhead

## 12. Appointment of Chairman

In the absence of the Chairman it was proposed by Councillor R Dickson, seconded by Councillor Leigh-Hunt and

**Resolved** that Councillor Syson be appointed as Chairman for the meeting.

## 13. Apologies and Substitutes

(a) Apologies for absence were received from Councillors Jacques and Nicholls; and

(b) Councillor Ashford substituted for Councillor Tracey.

## 14. Declarations of Interest

Minute Number 29 – Review of the Work Programme and Forward Plan

At the time of discussing this item, Councillor Syson declared an interest because she was Chair of the Leamington Society who worked with the friends of the Pump Room Gardens who had been involved in the Pump Room Gardens Restoration Project.

## 15. Finance – Service Area Update

It was proposed duly seconded and

**Resolved** that the Finance – Service Area Update be deferred to 30 July 2019 meeting of the Committee.

## 16. Executive Agenda (Non Confidential Items & Reports – Wednesday 10 July 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 10 July 2019.

Item 10 – WDC Discretionary Housing Payment Policy Review

The Committee supported the recommendations in the report.

17. **Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

18. **Executive Agenda (Confidential Items & Reports – Wednesday 10 July 2019)**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 10 July 2019.

Item 5 – Commonwealth Games 2022 (CG 2022) – CWLEP funding bid

The Committee supported the recommendations in the report.

19. **Executive Agenda (Non Confidential Items & Reports – Wednesday 10 July 2019)**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 10 July 2019.

Item 7 - Local Football Facilities Projects

The Committee supported the recommendations in the report.

Item 8 - Project Officers – Cultural Services

The Committee supported the recommendations in the report.

Item 16 - Significant Business Risk Register

The Committee noted the report.

(This was also contained on the agenda of the Committee as Item 8)

20. **Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

21. **Executive Agenda (Confidential Items & Reports – Wednesday 10 July 2019)**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 10 July 2019.

Item 19 - Affordable housing purchase – Montague Road, Warwick

The Committee supported the recommendations in the report.

**22. 2018/19 Annual Treasury Management Report**

The Committee received a report from Finance which informed the Committee of the Council's activities and the actual prudential and treasury indicators for 2018/19.

This report was to ensure that the Council met the requirements of the Local Government Act 2003 the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The regulatory environment placed responsibility on Members for the review and scrutiny of treasury management policy and activities. This report was, therefore, important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by Members.

Consideration of the Council's Treasury Management activities was within the remit of the Finance and Audit Scrutiny Committee on behalf of the Council, hence, it was appropriate to report the Council's annual performance direct to this Committee.

The report followed the format used in the Treasury Management Strategy Plan presented to the Executive on 7 February 2018 and comments, where appropriate, on the Council's actual performance against what was forecast in the Strategy Plan as well as, in certain instances, latest forecasts. The Council was also required to comment on its performance against its Annual Investment Strategy for the year.

In response to questions from the Committee, the Council's Principal Accountant explained that at present, the Council did not have an ethical investment policy but this was being developed with the new Portfolio Holder with a view to it being developed further with Members at the Treasury Management seminar for Councillors in November.

The Principal Accountant also agreed to investigate and inform the Committee of any current investments within the fossil fuels industry.

**Resolved** the contents of the report in respect of this Council's 2018/19 Treasury Management activities, be noted.

**23. Treasury Management Activity Report for the period 1 October 2018 to 31 March 2019**

The Committee received a report from Finance that detailed the Council's Treasury Management performance for the period 1 October 2018 to 31 March 2019.

The Council's 2018/19 Treasury Management Strategy and Treasury Management Practices (TMP's) required the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

**Resolved** that the report be noted.

**24. Anti-Fraud and Corruption Statement 2019-20**

The Committee received a report from Finance which presented the Anti-Fraud and Corruption Statement for review and approval. The Statement provided a record of the Council's policies and objectives in regard to countering fraud and corruption and was set out as Appendix A to the report.

There were a number of ongoing actions that were being undertaken in order to prevent, deter and detect fraud and corruption, and these were set out in Appendix B to the report.

The Statement had been reviewed to ensure that it remained relevant given the way that the Council operated and it had been compared with a number of other strategies including those of the other Warwickshire councils. The Statement was broadly similar in content to the others examined and no changes were considered necessary as part of this review.

In response to a question from the Committee, the Head of Finance explained that Risk 5, within the Service Area Risk register, was so high because it covered benefit fraud as well, whereas this report only related to internal fraud matters.

**Resolved** that

- (1) the Anti-Fraud and Corruption Statement, as set out at Appendix 1 to the report, be approved; and
- (2) the ongoing actions to prevent, deter and detect fraud and corruption, be noted.

**25. Executive Agenda (Non Confidential Items & Reports – Wednesday 10 July 2019)**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 10 July 2019.

Item 14 – Final Accounts 2018/19

The Committee received an addendum to the report that updated the table detailing the significant variations within the general fund so it included the percentage or variation.

The Committee noted the report.

Item 17 – Update on Action Plan following Review of Closure of Accounts

The Committee received a briefing from the Council auditors (Grant Thornton) regarding an emerging issue for the potential increase in pension liability for the Council, as the result of a national case regarding public sector pensions. There was to be a formal conversation with officers on the potential need for the 2018/19 Accounts to be amended to reflect this

before they were formally signed off by the Committee and Audit at the end of July.

The Committee took the opportunity to thank officers and Grant Thornton for their work completing the accounts on time.

(This was also contained on the agenda of the Committee as Item 9)

Item 11 – Service Area Plans for 2019/20 & Fit For the Future Change Programme Update

The Committee supported the recommendations in the report.

**26. Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

**27. Executive Agenda (Confidential Items & Reports – Wednesday 10 July 2019)**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 10 July 2019.

Item 21 - Compulsory Purchase Order – Land at Warwick Road

The Committee supported the recommendations in the report.

**28. Executive Agenda (Non Confidential Items & Reports – Wednesday 10 July 2019)**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 10 July 2019.

Item 13 – New contract terms for Internal Health and Safety IT system – AssessNet

The Committee supported the recommendations in the report.

Item 15 - Recording & Broadcasting of Council Meetings

The Committee supported the recommendations in the report.

**29. Review of the Work Programme, Forward Plan Comments from the Executive**

The Committee received a report from Democratic Services which set out its current work programme and the Forward Plan.

The Committee considered the need for previously requested reports in respect of the new HQ and Covent Garden car park. The Committee agreed

there was a need for these reports to come forward but as a priority, there should be a briefing for all Councillors on the project to date. The report could then focus on the on the impact of the Council's Medium Term Financial Strategy of delaying a decision on the new HQ. In respect of Covent Garden Car Park, the report should focus on the risk of it having to be closed, based on current condition, at short notice and the impact of this on Medium Term Financial Strategy.

In respect of the Pump Room Gardens project, the report should focus on the Governance (contract management), the costs of delay including additional costs of the works. Members also asked to see the lessons learned including an explanation for any future projects to mitigate the issues that occurred.

**Resolved** that the work programme be approved subject to the following amendments:

- (1) Service Review of Finance be moved to the 30 July 2019 meeting; and
- (2) HQ & Covent Garden report and Pump Room Garden reports, both defined above, be brought to the 26 September 2019 meeting.

### 30. **Minutes**

- (a) The minutes of the meeting held on 20 May and 29 May 2019 were taken as read and signed by the Chairman as a correct record; and
- (b) The minutes of the Joint Finance & Audit and Overview & Scrutiny Committee meeting held on 6 June 2019 were taken as read and signed by the Chairman as a correct record.

### 31. **Public & Press**


**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

### 32. **Confidential Minutes**

The Confidential minutes of the Joint Finance & Audit and Overview & Scrutiny Committee meeting held on 6 June 2019 were taken as read and signed by the Chairman as a correct record.

(The meeting ended at 8.43 pm)

CHAIRMAN  
30 July 2019

 <b>Finance and Audit Scrutiny Committee</b> <b>30 July 2019</b>		<b>Agenda Item No.</b> <b>4</b>
<b>Title</b>	2018/19 Statement of Accounts and Audit Findings Report	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee 9 July 2019	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	24/7/2019	Andrew Jones
Head of Service	24/7/2019	Mike Snow
CMT	24/7/2019	
Section 151 Officer	24/7/2019	Mike Snow
Monitoring Officer	24/7/2019	Andrew Jones
Finance	24/7/2019	Andrew Rollins
Portfolio Holder(s)	24/7/2019	Richard Hales
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 This report presents the 2018/19 Audited Statement of Accounts to be agreed by the Committee. The External Auditor's Audit Findings Report is presented.

## 2. **Recommendation**

- 2.1 It is recommended that the Committee:-

- a) Notes the 2018/19 Audit Findings Report.
- b) Agrees that the Accounts are not adjusted in respect the McCloud judgment and GMP indexation for pensions.
- c) Approves the letter of representation on behalf of the Council.
- d) Approves the 2018/19 Audited Statement of Accounts.

## 3. **Reasons for the Recommendation**

- 3.1 The draft 2018/19 Statement of Accounts were published on the 31 May, in line with the official deadline. The accounts have subsequently been subject to audit by Grant Thornton, the Council's external auditors.
- 3.2 Members will note from the Audit Findings Report from Grant Thornton, that the audit of the accounts has gone well. The working papers were subject to review and authorised by Principal Accountants prior to submission to the auditors in accordance with agreed deadlines. The responses to subsequent questions from the auditors were given priority.
- 3.3 There have been some minor changes to the accounts proposed by Grant Thornton, as detailed within their report. The most significant of these changes is the categorisation of the Community Infrastructure Levy income received in 2018/19. Last year was the first that this income was received by the Council. Officers recognised the incorrect categorisation of this income and alerted the auditors to this. It has been agreed that this should be adjusted before the accounts are finalised. This does not have any impact on the Council's overall resources.
- 3.4 At the Finance and Audit Scrutiny Committee meeting on 9 July, there was some discussion on two pensions rulings outstanding, the McCloud judgment and GMP indexation, that may impact on the 2018/19 accounts. These are both discussed in more detail within the Audit Findings Report. Based on the figures from the actuary, the pensions liability within the Accounts of £48m (as reflected in the Pensions Reserve) is understated by £1.089m.
- 3.5 The pensions fund is currently under-going the triennial revaluation as at 31 March 2019. The results of this revaluation will inform the Council's pension fund contributions for the next three years. In common with many funded pension schemes, there is a deficit on the Warwickshire Local Government Pension Scheme. As the liabilities on the scheme will not all materialise for many years (notably when current employees eventually draw their pension), a "recovery period" of 25 years was agreed with the actuaries. This means that the additional contributions are made over future years to meet the deficit. Authorities have been making additional contributions towards the deficit for some years. The Council's Medium Term Financial Strategy does allow for increases in the pension contributions (on top of inflationary increases) of an additional £84,000 per annum.

- 3.6 The extra liability from the recent pensions rulings will be taken into account as part of the triennial revaluation. Accordingly, this increase will be spread over many future years. It will not present an additional revenue burden to the Council in one year.
- 3.7 As part of the audit, the auditors have agreed a materiality threshold of £1.2m. The pension adjustment is the only proposed “unadjusted misstatement”, this being £1.089m. If the adjustment were to be made, more detailed additional information would be required from the actuaries, so requiring additional work by accountants and auditors, also with some additional costs. Due to the accounting treatment for pensions any adjustment to the service accounts within the Comprehensive Income and Expenditure Statement within the accounts would be reversed out. It would not impact on the sums due to be paid to the pension fund.
- 3.8 For the above reasons, it is proposed not to adjust the pensions figures within the accounts. The auditors accept not accepting is not-material. Many other local authorities are understood to be taking this stance. The Committee is recommended to approve non-adjustment in respect of the McCloud judgment and GMP indexation.
- 3.9 The Council’s Constitution states that the Finance and Audit Scrutiny Committee will act as the Council’s audit committee. In November 2016, the Constitution was updated so that this Committee will approve the Council’s Statement of Accounts each year.
- 3.10 The audit of the accounts is now virtually complete, with the Audit Findings Report from the external auditors having been issued (attached). Consequently, Members are asked to approve both the letter of representation (attached) and the Audited Statement of Accounts.
- 3.10 A review of the closedown and production of the 2018/19 Accounts is currently on-going. Details of this, and planned actions for the 2019/20 Accounts, is due to be reported to members in November.
- 3.11 Having the audited accounts signed off by the 31 July deadline is a major achievement. This has entailed hard work by the Accountancy Team and from officers across the Council, and also from the external auditors. The close working from all involved has been important in enabling the Council to get to this position.

#### 4. **Policy Framework**

##### 4.1 **Fit for the Future (FFF)**

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council’s FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>

<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.		

## 4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. The 2018/19 Accounts are consistent with the relevant supporting strategies.

## 4.3 Changes to Existing Policies

No proposed changes to existing policies are proposed.

## 4.3 Impact Assessments

The Council's Final Accounts cover the community throughout the District. It is a statement of fact and officers will have considered any impact when amending their budgets.

## 5. Budgetary Framework

- 5.1 The original cost of the audit was agreed at £41,290, as part of the appointment made following tenders managed by Public Sector Audit Appointment (PSAA). The auditors are proposing an additional fee due to the extra pensions work required, and additional work required by the Financial Reporting Council.

## **6. Risks**

- 6.1 Following the delayed sign off of the 2017/18 Statement of Accounts, the closure of the 2018/19 accounts has been a key project. This has had detailed action plans (which have regularly been reported to members), and a Risk Register that has also been reported.
- 6.2 The Risk Register will be reviewed and updated ahead of the 2019/20 closure.

## **7. Alternative Option(s) considered**

- 7.1 No alternative options are presented for consideration.

# The Audit Findings for Warwick District Council

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Year ended 31 March 2019

30 July 2019



# Contents



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## Appendices

- A. Action plan
- B. Prior year recommendations – follow up
- C. Audit Adjustments
- D. Fees
- E. Draft Audit Opinion
- F. Draft Letter of Representation

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li><li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Members will be aware that there were significant delays in the 2017/18 financial statements audit, as such the opinion on the 2017/18 financial statements was not given until 12 December 2018, 5 months after the reporting deadline.</p> <p>We are pleased to report that the Council has implemented a number of changes to its internal processes to ensure the draft financial statements were prepared and subject to quality checks prior to 31<sup>st</sup> May 2019. The Council has also been fully engaged in the use of Inflo, a system we use in order to administer and track audit working paper requests. The progress made by the finance team this year has resulted in a sound foundation on which to build further improvements. With a number potential key finance staff changes in the next 12 months it is critical that the Council focusses on its succession planning within the finance team, including robust handover processes in order that the progress made to date is not lost. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.</p> <p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 16. We have not identified any adjustments to the financial statements which affect the Council's Comprehensive Income and Expenditure Statement. A small number of disclosure and presentation changes have been identified which are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none"><li>- Receipt of the Assurance Letter from the Pension Fund external auditor to admitted body auditors</li><li>- Completion of our work around investment balances</li><li>- Receipt of management representation letter (see appendix F)</li><li>- Updating our post balance sheet events review to the date of signing the opinion; and</li><li>- Review of the final set of financial statements.</li></ul> <p>There is one item in respect of the impact of the McCloud judgment and GMP indexation (see pages 12, 13 and 30) for which management are not proposing to amend the financial statements and which we will therefore be seeking the Finance and Audit Scrutiny Committee's approval on.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unqualified.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Warwick District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 17 to 19.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• to certify the closure of the audit.</li></ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p> <p>Item 4 / Appendix 1 /Page 3</p>

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 26<sup>th</sup> March 2019, except for additional procedures which have been carried out regarding the consideration of GMP indexation and McCloud disclosures within the financial statements (see pages 12,13 and 30).

# Audit opinion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Finance and Audit Scrutiny Committee meeting on 30 July 2019, as detailed in Appendix E. These outstanding items include:

- Receipt of the Assurance Letter from the Pension Fund external auditor to admitted body auditors
- Completion of our work around investment balances
- Receipt of management representation letter (see appendix F)
- Updating our post balance sheet events review to the date of signing the opinion; and
- Review of the final set of financial statements.

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

**Subject to satisfactory conclusion of the outstanding matters listed above our anticipated audit report opinion will be unmodified**

# Approach to Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan . We detail in the table below our determination of materiality for Warwick District Council,

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,200,000	We determined materiality for the audit of the Council's financial statements as a whole to be £1,200,000, which is 1.5% of the Council's gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	780,000	<p>We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 65% of financial statement materiality for the audit of the financial statements. We have reduced this from our maximum level of 75% as a result of our consideration of a number of factors, including:</p> <ul style="list-style-type: none"> <li>• The difficulties experienced by the Council in 2017/18 in respect of closing its accounts down.</li> <li>• In 2017/18 there were a number of significant misstatements (primarily in the capital accounting transactions) arising as a result of the financial statements audit at the Council.</li> </ul>
Trivial matters	60,000	We determined the threshold at which we will communicate misstatements to the Finance and Audit Scrutiny Committee to be £60,000 (5% of materiality for the financial statements).
Materiality for specific transactions, balances or disclosures	25,000	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1 Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted as we have concluded that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p><b>Auditor commentary</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Warwick District Council.</p> <p>There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.</p> <p>Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.</p>
<p><b>2 Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work at the Council has not identified any issues in respect of management override of controls, though we note that as at the time of writing we are still completing our work on journals testing.</p> <p>For an in depth consideration of the Council's estimates please see pages 9 to13.</p>

# Significant findings – audit risks

## Commentary

### Risks identified in our Audit Plan

3

#### Valuation of Property, Plant and Equipment

The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

As part of the 2017/18 audit it was identified that there were no clear and specific instructions issued to the valuer, there were multiple valuations performed throughout the period, and there was no formal annual impairment review.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We have undertaken the following work in relation to this risk:

- updated our understanding of the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement;
- assessed the competence, capabilities and objectivity of management's experts (valuers) who carried out your PPE valuations;
- evaluated the instructions issued by management to their management expert (a valuer) for this estimate and the scope of the valuer's work;
- communicated with the valuer about the basis on which the valuation is carried out and where necessary challenge the key assumptions
- reviewed and challenge the information used by the valuer to ensure it is robust and consistent with our understanding
- tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value.

#### Findings

Council dwellings – As recorded under Note 3 – Critical Judgments, the Council continues to value its Council Dwellings and other HRA PPE as at 1<sup>st</sup> April 2019 and use this as a proxy for values as at 31<sup>st</sup> March 2019. We consider it is highly unlikely that the value of these properties would materially change overnight and we have satisfied ourselves in respect of the assumptions used by management's expert. We are therefore satisfied that the valuation as at 31<sup>st</sup> March 2019 is not materially misstated.

As part of our testing we have reviewed the valuation reports provided by management's experts. We found a number of omissions and/or inconsistencies with the information provided by the valuer to the Council. The Council should thoroughly check valuation information provided by the valuer and ensure this is both in line with the agreed terms of Engagement and information within the report has been scrutinised for accuracy.

The Council values different categories of assets as at different points in the year i.e. Council Dwellings as at 1<sup>st</sup> April following the current financial year, 20% of other land and building assets are revalued under the rolling programme as at 1<sup>st</sup> April of the current financial year and a sample of the 80% that isn't part of the rolling programme is valued as at 31<sup>st</sup> March of the current financial year. We have satisfied ourselves in respect of the year end position not being materially misstated but are of the view that there is scope for the Council to streamline the process to reach a position where the assets are valued as at the Balance Sheet date or a date earlier than this with evidence that the estimated value at 31<sup>st</sup> March is not materially different.

#### Conclusion

We have raised a number of recommendations in relation to PPE however we are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.





# Significant findings – audit risks

Risks identified in our Audit Plan		Commentary
4	<b>Valuation of the pension fund net liability</b> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£48 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<b>Auditor commentary</b> <p>We have:</p> <ul style="list-style-type: none"><li>• documented our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li><li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li><li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li><li>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li><li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li><li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li></ul> <p>Our audit work has not identified any issues in respect of valuation of the pension fund net liability, except in relation to the McCloud judgement and GMP indexation. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. This is detailed below under significant findings – key judgements and estimates (pages 11 and 12).</p>



# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment								
<b>Provisions for (NNDR appeals - £4.220m (£0.695m short-term, £3.525m long-term)</b>	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	<p>We have:</p> <ul style="list-style-type: none"><li>Reviewed the appropriateness of the underlying information used to determine the estimate</li><li>Considered the reasonableness of increase/decrease in estimate</li><li>Confirmed the adequacy of disclosure of estimate in the financial statements</li></ul> <p>The Council have identified a misclassification issue between short term and long term provisions of £705k . This has been adjusted in the financial statements and is included in Appendix C.</p> <p>We are satisfied that the overall provision is not materially misstated.</p>	<div><div></div><div>Green</div></div>								
<b>Land and Buildings – Council Housing - £387.206m</b>	<p>The Council owns 5,478 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council's last full valuation of council dwellings was from as at 1<sup>st</sup> April 2019. The year end valuation of Council Housing was £387.206m, a net increase of £16.558m from 2017/18 (£370,648m). This is made up of:</p> <table><tr><td>➤ Asset additions</td><td>£8.628m</td></tr><tr><td>➤ Asset disposals</td><td>(£1.741m)</td></tr><tr><td>➤ Revaluation Increases</td><td>£9.671m</td></tr><tr><td>➤ <b>TOTAL</b></td><td><b>£16.558m</b></td></tr></table>	➤ Asset additions	£8.628m	➤ Asset disposals	(£1.741m)	➤ Revaluation Increases	£9.671m	➤ <b>TOTAL</b>	<b>£16.558m</b>	<p>We have:</p> <ul style="list-style-type: none"><li>Assessed management's expert,</li><li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate</li><li>Impact of any changes to valuation method</li><li>Considered the consistency of estimate against findings of our Auditors' Expert , Gerald Eve.</li><li>Considered the reasonableness of increase in estimate</li><li>Considered where the disclosures relating to the estimate are appropriate in the financial statements</li></ul> <p>The valuation of Council Dwellings was completed as at 1st April 2019. We consider it is highly unlikely that the value of these properties would materially change overnight and we have satisfied ourselves in respect of the assumptions used by management's expert. We are therefore satisfied that the valuation as at 31st March 2019 is not materially misstated.</p>	<div><div></div><div>Green</div></div>
➤ Asset additions	£8.628m										
➤ Asset disposals	(£1.741m)										
➤ Revaluation Increases	£9.671m										
➤ <b>TOTAL</b>	<b>£16.558m</b>										





## Assessment

-  **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Green** - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings – Other (OLB) - £82.371m</b>	<p>Other land and buildings comprises specialised assets of £50.420m which include assets such as Newbold Comyn Leisure Centre, Royal Spa Centre, Pump rooms. , which are required to be valued at depreciated replacement cost (DRC) at year end.</p> <p>The remainder of other land and buildings (£31.950m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged its own external valuer, Carter Jonas LLP, to complete the valuation of properties as at 31 March 2019 on a four yearly cyclical basis. 81% of total assets (by value) were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net decrease of £7.861m.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the objectiveness and competency of management's expert</li> <li>Determined the accuracy of the underlying information used to determine the estimate</li> <li>Compared the consistency of estimate against a report from Gerald Eve setting out indices movements in the year</li> <li>tested the value of the properties by comparing a sample to enable us to assess the reasonableness of the increase in the estimate</li> <li>Reviewed the adequacy of disclosure of estimate in the financial statements</li> </ul> <p>Whilst we are satisfied there is no material misstatement in the value of Other Land and Buildings we did identify improvements which could be made to the revaluation process (see page 7). These are included as recommendations at Appendix A.</p>	 <b>Green</b>
<b>Investment property valuation process – Note 16</b>	<p>In accordance with IFRS 13 investment property should be measured at fair value at the reporting date.</p>	<ul style="list-style-type: none"> <li>Investment property per the financial statements Note 16 total £10.966m.</li> <li>In accordance with IFRS 13 investment property should be measured at fair value at the reporting date through an annual revaluation.</li> <li>We are satisfied that the Investment property value included within the financial statements is not materially misstated.</li> </ul>	 <b>Green</b>

## Assessment

-  **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Amber** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Yellow** - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Green** - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment																								
<b>Net pension liability – £48.466m</b>	<p>The Authority’s total net pension liability at 31 March 2019 per the draft accounts was £48,466k (PY £38,123k).</p> <p>The Authority uses Hymans Robertson LLP to provide actuarial valuations of the Authority’s assets and liabilities derived from the Local Government Pension Scheme in which it participates, (which is the Warwickshire Pension Fund, administered by Warwickshire County Council).</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>Since the draft accounts were produced the Council has requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP indexation. The actuary’s estimate was of a possible increase in pension liabilities of £1.089m (£780k relating to McCloud + £309k relating to GMP indexation)</p> <p>Management’s view is that the impact of the ruling is not material for Warwick District Council, and will be considered for future years’ actuarial valuations. The Council has included a ‘contingent liability’ disclosure within its financial statements .</p>	<p>PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS).</p> <p>They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2019.</p> <table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.4%</td><td>2.4%-2.5%</td><td>● (G)</td></tr><tr><td>Pension increase rate</td><td>2.5%</td><td>2.4% to 2.5%</td><td>● (G)</td></tr><tr><td>Salary growth</td><td>3.10%</td><td>Scheme &amp; Employer specific</td><td>● (G)</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>22.5 years</td><td>20.6-23.4</td><td>● (G)</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>24.7 years</td><td>23.2-24.8</td><td>● (G)</td></tr></table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4%-2.5%	● (G)	Pension increase rate	2.5%	2.4% to 2.5%	● (G)	Salary growth	3.10%	Scheme & Employer specific	● (G)	Life expectancy – Males currently aged 45 / 65	22.5 years	20.6-23.4	● (G)	Life expectancy – Females currently aged 45 / 65	24.7 years	23.2-24.8	● (G)	● <b>Green</b>
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	<p>We have also reviewed the:</p> <ul style="list-style-type: none"><li>• Completeness and accuracy of the underlying information used to determine the estimate</li><li>• Reasonableness of the Authority’s share of LGPS pension assets.</li><li>• Reasonableness of increase/decrease in estimate</li><li>• Adequacy of disclosure of estimate in the financial statements</li></ul> <p>With the exception of the potential impact of the McCloud ruling and GMP indexation, which is included as an uncertainty in Appendix C we have no other findings to report you.</p>																										

**Assessment**

● **Red** - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● **Amber** - We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic

● **Yellow** - We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious

● **Green** - We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
<p><b>Net pension liability – Impact of McCloud Judgement and Guaranteed Minimum Pension (GMP)</b></p> <p><b>McCloud Judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>Our Grant Thornton view was that this gave rise to a past service cost and liability within the scope of IAS 19 as the ruling created a new obligation.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p>This was confirmed on 15 July 2019 in a statement released by The Chief Secretary to the Treasury. The quote extracted and shown below is of greatest interest as it recognises remedies will need to be applied to the LGPS and hence supports the Authority's stance in the recognition of increased liabilities:</p> <p><i>"As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Continuing to resist the full implications of the judgment in Court would only add to the uncertainty experienced by members."</i></p> <p><a href="https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-07-15/HCWS1725/">https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-07-15/HCWS1725/</a></p>	<p>Our Grant Thornton view was that the McCloud judgement gave rise to a past service cost and liability within the scope of IAS 19 as the ruling created a new obligation.</p> <p>IAS 19.61 states 'An entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices.' Our view is based on the fact there is a legal obligation. As set out in IAS 37.10, 'A legal obligation is an obligation that derives from:.....(c) other operation of law' i.e. the Court of Appeal ruling.</p> <p>The IAS 37 criteria was considered to determine if a liability exists i.e. is there a present obligation as a result of a past event, is it probable than an outflow of resources will be required to settle the obligation and can a reliable estimate be made. Where there is a liability, it would be accounted for under IAS 19 due to the IAS 37 scope exclusion in respect of employee benefits (IAS 37.5d).</p> <p>On the 12<sup>th</sup> June 2019 we wrote to all our local government clients setting out our views and recommending that bodies ask their actuaries to re-run the IAS19 reports with the actuary reflecting the best estimate for restitution and providing sensitivity analysis for key assumptions.</p> <p>The Authority requested a revised actuarial assessment from Hymans Robertson and this was received on the 5<sup>th</sup> July 2019. This reported:</p> <p><i>"The Fund's actuary has adjusted GAD's estimate to better reflect the Warwickshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Warwick District Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.44% higher as at 31 March 2019, an increase of approximately £780k."</i></p> <p>The Authority has increased their pensions disclosures following receipt of the revised report. The Authority has not adjusted their primary statements, taking the view, that the combined impact of the McCloud judgement (£780k) and Guaranteed Minimum Pension (GMP) indexation (£309k), amounting to £1.089m compared to the net pension liability of £48.466m is not material to the financial statements and will be considered for future years' actuarial valuations and that additional disclosure is appropriate.</p> <p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material misstatement as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We have included this as an uncertainty within Appendix C and we will therefore be seeking Finance and Audit Scrutiny Committee agreement to management's decision not to amend and specific reference in the Letter of Representation.</p>	<div><div></div><div>Green</div></div>

**Assessment**

- Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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# Significant findings – key judgements and estimates

Summary of management’s policy	Audit Comments	Assessment
<b>Net pension liability – Impact of McCloud Judgement and Guaranteed Minimum Pension (GMP)</b>	<p>The PwC review of actuarial firms, prepared for the National Audit Office, identified that actuaries have taken differing approaches to the change in the defined benefit pension obligations that results from Guaranteed Minimum Pension equalisation. The 2018/19 PwC report highlights that paying the additional increases through the LGPS increases the costs of the benefits and hence the liabilities for employers, and that this liability should be included in the accounts.</p> <p>The PwC report highlighted that auditors would need to consider the impact of this based on their individual materiality levels. It also provides a high level of the estimated impact as follows:</p> <ul style="list-style-type: none"><li>• Estimated impact for members reaching SPA between April 2016 and April 2021 = 0.1% of gross liabilities</li><li>• Estimated impact for members reaching SPA post April 2021 = 0.2% of gross liabilities</li></ul> <p>The majority of the actuaries (excluding Barnett Waddingham) have not made allowances for the post 2021 element in their IAS 19 estimates on the basis that these future liabilities are uncertain, and in the words of one of the actuary’s “have not yet been triggered”. Our internal actuary has confirmed that, in his view, it is not appropriate to allow for additional costs at this stage.</p> <p>The Authority requested a revised actuarial assessment from Hymans Robertson and this was received on the 5<sup>th</sup> July 2019. This reported:</p> <p><i>“The fund’s actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Warwick District Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.</i></p> <p><i>The estimate as it applies to Warwick District Council is that total liabilities could be 0.17% higher as at 31 March 2019, an increase of approximately £309k”.</i></p> <p>The Authority has increased their pensions disclosures following receipt of the revised report. The Authority has not adjusted their primary statements, taking the view, that the combined impact of the McCloud judgement (£780k) and Guaranteed Minimum Pension (GMP) indexation (£309k), amounting to £1.089m compared to the net pension liability of £48.466m is not material to the financial statements and will be considered for future years’ actuarial valuations and that additional disclosure is appropriate.</p> <p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material misstatement as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council’s liability.</p> <p>We have included this as an uncertainty within Appendix C and we will therefore be seeking Finance and Audit Scrutiny Committee agreement to management’s decision not to amend and specific reference in the Letter of Representation.</p>	<div>●</div> <div>Green</div>

On 26 October 2017, the High Court delivered its decision in a case involving Lloyds Bank, concerning the equalisation of Guaranteed Minimum Pensions (GMPs). The High Court ruled that GMPs must be equalised between men and women and that past underpayments must be corrected.

Bodies will be impacted by the High Court decision where they have a defined benefit pension scheme and were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997. For affected bodies, the impact will be to increase the defined benefit pension obligation.

In March 2016 the Government announced an “interim solution” for members in public service schemes who reach State Pension Age (SPA) between 6 April 2016 and 5 December 2018. In January 2018 they decided to extend this solution for a further two years to April 2021.

Assessment

● Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● Amber - We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic

● Yellow - We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious

● Green - We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

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# Significant findings - Going concern

**Our responsibility**

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

**Going concern commentary**

**Management's assessment process**

**Auditor commentary**

Going Concern is defined as “the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.’

The Authority’s financial statements are prepared on going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due.

Audit procedures undertaken have not found any indication of the existence of going concern events or conditions which may cast significant doubt on the Authority’s ability to continue as a going concern. The Council budgets more than a year in advance and undertakes frequent spending reviews where budgets are adjusted where required.

**Work performed**

**Auditor commentary**

We have reviewed the budgetary processes in place and would note the following:

- We are satisfied from our review of the Council’s reserves balance that it has sufficiency of usable reserves (i.e. general fund and earmarked reserves) to support its finances should its savings plans not be delivered, but clearly reserves can only be used once.
- The Council is rightly concerned that there are a number of unknowns in its funding, especially with regard to the Business Rates Reset. However, in and of itself, this is not considered to cast significant doubt on the Council’s ability to continue as a going concern.

We therefore agree with the Council’s conclusion that the going concern assumption is appropriate.

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Finance and Audit Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council, which is appended. We will be seeking specific representations in respect of the McCloud judgment and GMP indexation.</li> </ul>
5	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to those organisations with which is banks, invests and borrows from. This permission was granted. Not all requests were received and we are in the process of conducting alternative procedures.</li> <li>We have identified no issues from the work performed to date.</li> </ul>
6	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>There were no significant disclosure omissions or amendments made to the draft 2018-19 draft financial statements as a result of audit procedures.</li> <li>The Council has included additional disclosures regarding the McCloud ruling.</li> </ul>
7	<b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> <li>We commend the Council on the clear presentation of the workpapers provided for audit and the timelines of responses to our audit requests.</li> </ul>

# Other responsibilities under the Code

	Issue	Commentary
1	<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
2	<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
3	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This is not required at Warwick District Council as the Council does not exceed the threshold for 2018/19.</p>
4	<b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2018/19 audit of Warwick District Council in the audit opinion, as detailed in Appendix E.</p>

# Value for Money

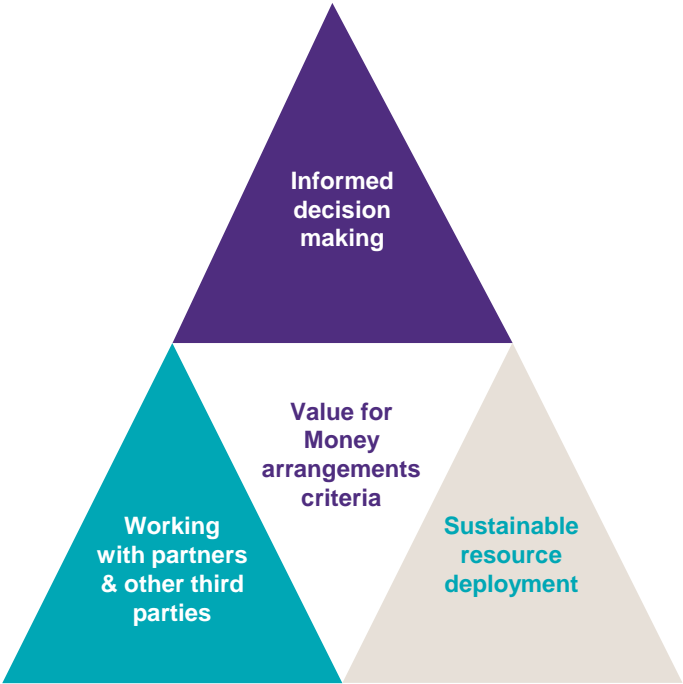
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in December 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 26<sup>th</sup> March 2019

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Councils outturn and cash position as at 31 March 2019
- The Council's Budget Plans up to 2022/23
- The councils financial accounts progress monitoring reports

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages [19 to 20].

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement. Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Overall conclusion

**Based on the work we performed to address the significant risk, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its**

The text of our report, which confirms this can be found at Appendix E.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion																												
1	<p><b>Future Savings Plans</b></p> <p>Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For 2018/19 the Authority amended its budget upwards by £0.7m and is forecasting to break-even upon its revised budget. These continuing pressures, combined with continuing uncertainty on long term local government funding has led the Council to estimate that the Council will have a funding gap, after savings identified, of £0.6m for 2019/20, £0.1m in 2020/21, £0.9m in 2021/22 and £0.7m in 2022/23.</p> <p>The authority has historically been able to achieve savings through making incremental changes to services and ways of working, however, there is a growing acceptance that more challenging decisions are needed to ensure financial stability in the longer term. As part of the Future Fit Scheme savings of £300k were identified in relation to councils office relocation in 2020/21. We understand this may now need to be reprofiled following the withdrawal of one of the development partners.</p> <p><b>Work proposed to address risk:</b> We will review the Council's arrangements for identifying and agreeing savings plans to ensure that the Council is resilient to the increasing financial challenges of coming years.</p>	<p><b>Outturn position 2018/19</b></p> <p>Historically, the Council has a strong track record of delivering against its financial objectives, and this continues to be the case for 2018/19 with a favourable variance of £322k on the General Fund (GF) budget and £116k on the Housing Revenue Account (HRA) being reported to the Executive on 10<sup>th</sup> July 2019.</p> <p>There are a number of significant variances (both adverse and favourable) which have contributed to the net favourable outturn of £322k for the General Fund. The main variances have been summarised in the July report to the Executive and the main variances are £986,700 favourable variances and £900,300 adverse.</p> <p>For 2018/19 the Council has seen slippage in its capital programme of £2.581m on a budgeted programme of £29.045m.</p> <p><b>MTFS</b></p> <p>The Council's MTFS was presented to members in February 2019, this has been subsequently updated and savings reprofiled and reported to Executive on 10<sup>th</sup> July. This has been summarised in the table below.</p> <table> <tr> <th></th><th>Savings reported in February 2019</th><th>Savings required - reported 10th July 2019</th><th>Variance</th></tr> <tr> <td>2020/21</td><td>330</td><td>309</td><td>-21</td></tr> <tr> <td>2021/22</td><td>1,025</td><td>494</td><td>-531</td></tr> <tr> <td>2022/23</td><td>456</td><td>664</td><td>208</td></tr> <tr> <td>2023/24</td><td>574</td><td>733</td><td>159</td></tr> <tr> <td></td><td>2,385</td><td>2,200</td><td>-185</td></tr> <tr> <td>2024/25</td><td></td><td>483</td><td></td></tr> </table> <p>Within the update the proposed office move savings of £385k have now been factored from April 2022.</p> <p>As part of the MTFS the council has also recognised that from 2020/21 there may be substantial changes to figures due to the Fair Funding Review and the Business Rate Retention (BRR) scheme anticipated to change from 50% to 75%. The Council has taken a prudent stance in its forecasting.</p> <p><b>Savings plans</b></p> <p>Council savings plans were submitted for approval to Executive on 10<sup>th</sup> July. The executive agreed the service area plans which represent the councils programme of work for the 19/20 financial year. The Council has already recognised that the HQ relocation and town Hall use savings of £385k are still to be delivered and need to be monitored closely.</p> <p><b>Reserves</b></p> <p>Each year the Council reviews the level of reserves and balances it holds as part of setting the budget, as in previous years the s151 officer concluded that there were sufficient level of reserves. A review of balances as at the end of the period confirms that the Council's total usable reserves have increased by £2m from £68m to £70m.</p>		Savings reported in February 2019	Savings required - reported 10th July 2019	Variance	2020/21	330	309	-21	2021/22	1,025	494	-531	2022/23	456	664	208	2023/24	574	733	159		2,385	2,200	-185	2024/25		483		<p><b>Auditor view</b></p> <ul style="list-style-type: none"> <li>The Council's financial stability going forward is highly dependent on the factors set out in our findings. The Council will need to monitor decisions from the Government with regard to funding and respond accordingly. As well as responding to any Government decisions it also needs to ensure that it makes appropriate decisions with regard to its own income generation schemes and that savings plans are delivered in full or alternatives identified.</li> <li>Based on the work we performed to address the significant risk, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>
	Savings reported in February 2019	Savings required - reported 10th July 2019	Variance																												
2020/21	330	309	-21																												
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	2,385	2,200	-185																												
2024/25		483																													

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>2 Publication of financial statements</b> In 2017/18, the statutory date for publication of audited local government accounts was brought forward to 31st July, across the whole sector. The Authority did not achieve this deadline and the financial statement audit opinion was given on 12<sup>th</sup> December 2018. The Council has a detailed action plan in place in order to ensure the deadlines for 2018/19 are met but the risk of missing the deadlines remains.</p> <p><b>Work proposed to address risk:</b> We will review the Council's progress against its action plan and the changes in arrangements for meeting the publication deadlines</p>	<p>Members will be aware that there were significant delays in the 2017/18 financial statements audit, as such the opinion on the 2017/18 financial statements was not given until 12<sup>th</sup> December 2018, some 5 months after the reporting deadline of 31<sup>st</sup> July 2018. The Authority's Value for Money conclusion was qualified in this respect.</p> <p>We are pleased to report that over the past year the Council has implemented a number of changes to its internal processes to ensure draft financial statements were prepared and subject to quality checks prior to 31<sup>st</sup> May 2019.</p> <p>Following the 2017/18 audit closure there was a detailed wash up meeting which included all members of the Finance team and other staff where required. The audit team attended this meeting in part. This meeting was then followed up with regular updates in order to develop a detailed action plan to ensure lessons were learnt resulting in the 2018/19 financial statements delivered to the appropriate quality standard and on time.</p> <p>We have reviewed the working document used to monitor progress and can confirm that this document has been updated on at least a weekly basis. This information formed the basis of the progress update report which has been reported to the Finance and Audit Scrutiny Committee since December 2018.</p> <p>We have met with the Council's finance team on a number of occasions throughout the year. The Council has also been fully engaged in the use of Inflo, a system used by the audit team to administer and track audit working paper and evidence requests. They have raised technical points or queries with the audit team in a timely manner which has enabled early testing to be completed where necessary, for example, the consideration of Group accounting and review of revised Accruals policy.</p> <p>The progress made by the finance team this year has resulted in a sound foundation on which to build further improvements. With a number potential key finance staff changes in the next 12 months it is critical that the Council focusses on its succession planning within the finance team, including robust handover processes.</p>	<p><b>Auditor view</b></p> <p>We are satisfied that the Council has made significant progress in its final accounts preparation process and upon completion of our audit procedures will issue our audit opinion to the Finance and Audit Scrutiny Committee the 30<sup>th</sup> July 2019.</p> <p>The council must remain proactive and seek to improve processes further in particular relating to Property, Plant and Equipment valuation procedures.</p> <p>The council also needs to focus on succession planning within the finance department and ensure detailed handover arrangements are in place between staff.</p>

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	£3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £41,290 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Grant Claim	£14,250	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,250 in comparison to the total fee for the audit of £41,290 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Finance and Audit Scrutiny Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms are included in Appendix D.

None of the services provided are subject to contingent fees.

# Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1 ● Amber	<b>Year end procedures</b> <p>The positive progress made by the finance team this year is evident and has resulted in a sound foundation on which to build further improvements.</p> <p>With a number potential key finance staff changes in the next 12 months it is critical that the Council focusses on its succession planning within the finance team, including robust handover processes.</p>	<p>The Council should focus on its succession planning within the finance team, including robust handover processes.</p> <p><b>Management response</b>            Planning for 2019/20 Closedown is priority for the Accounting Team. This includes succession planning, knowledge sharing and procedure documentation. A new Action Plan is to be produced based on the review of the 2018/19 Closedown.</p>
2 ● Amber	<b>Property, Plant and Equipment - General</b> <p>As part of our testing we have reviewed the valuation reports provided by managements experts and found there to be a number of omissions and/or inconsistencies with the information provided.</p> <p>Due to the number of queries arising from this our work in relation to Property, Plant and Equipment has taken longer than anticipated.</p>	<p>The Council should thoroughly check valuation information provided by the valuer and ensure this is both in line with the agreed Terms of Engagement and information within the report has been scrutinised for accuracy.</p> <p><b>Management response</b>            Officers are meeting with the valuers to review the valuation process for 2018/19 and any problems encountered. The timetable for 2019/20 will include time for further scrutiny of the information supplied by the valuers.</p>
3 ● Amber	<b>Property, Plant and Equipment valuations</b> <p>There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils</p>	<p>To reduce the risk of carrying value being materially different to current value the Council should value its assets as at the balance sheet date.</p> <p><b>Management response</b>            As part of the discussions with valuers, the valuation dates will be reviewed to streamline the process, and to seek to reduce the amount of work required at year end.</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Prior Year Recommendations

As part of the 2017/18 financial statements audit process we identified 9 recommendations of sufficient important to report to those charged with governance for the Council. These were included in the Annual Audit Letter (AAL) and presented to the Audit and Risk Committee on 5<sup>th</sup> March 2019. Updated have been provided to the Audit and Finance Scrutiny Committee throughout the year. We have updated this assessment and identified whether we believe the action to be complete.

Assessment	Issue and risk	Recommendations	Action complete
● RED	Valuation arrangements. We identified a number of weaknesses in the arrangement over the valuation of assets. This has led to a number of material changes in the financial statements.	<p>The Council needs to ensure that it formally documents the process for valuations, and that the valuer is provided with detailed instructions for the annual valuation exercise. There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>The information to be sought from the valuer, and timing thereof, will be considered by the Head of Finance and Principal Accountants in early December ahead of a formal instruction to the valuer being issued. The valuation process will be pro-actively monitored and shared with the Accountancy Team.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li><b>As reported at 5<sup>th</sup> March 2019</b> - As part of the January update, the timing of this recommendation has slipped into January. This will continued to be monitored on a regular basis.</li> <li><b>As reported at 2<sup>nd</sup> April 2019</b> - Valuation work commenced but much cannot be completed until early April. Valuation request letter formally shared with auditors.</li> <li><b>As at 22<sup>nd</sup> July 2019</b>- Approach discussed and agreed with valuers, with letter and detailed instructions drafted by Project Manager and shared with rest of relevant team members. Formal letter and instructions sent to valuers February 2019.</li> </ul> <p><b>Auditor commentary</b></p> <p>We are satisfied that the Council has made progress in relation to the early engagement with the valuer however, not all elements of this recommendation have been completed fully. This recommendation has been closed and an updated recommendation added in Appendix A which reflects the progress made against this recommendation and the further improvements required.</p>	Partially



# Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
● RED	Impairment review. There were no formal arrangements in place at the Council to demonstrate that all assets had been considered for impairment as required by the Code.	<p>The arrangements for an impairment review should be considered and documented. These arrangements should be implemented as part of the 2018/19 closedown process.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>The approach to the impairment review will be reviewed ahead of seeking information from the valuer (above). This will involve the full team and the Council's Estates Manager, and in accordance with the Code of Practice.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li><b>As reported at 5<sup>th</sup> March 2019</b> - As above, this will now be considered during January.</li> <li><b>As reported at 2<sup>nd</sup> April 2019</b> - Initial letter with valuers. Work on valuations commenced. Some further details being collated to send to valuers. Impairment details being sought from SMT+.</li> <li><b>As at 22<sup>nd</sup> July 2019</b>- The approach to the impairment review was discussed in advance with valuers, ahead of seeking information from the valuer (above). All key stakeholders involved in process, including Senior Management Team. Approach discussed and agreed with auditors.</li> </ul>	✓
● RED	Timeliness of financial reporting	<p>The report of the Chief Executive includes a detailed action plan to ensure that the issues that have occurred this year are not repeated. It is key that this action plan is implemented and considered in light of the recommendations we have made as part of this AFR to ensure that all issues are addressed as part of the production of the financial statements in future years.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Progress on the action plan is being actively managed with weekly updates to CMT and monthly reports to Executive and Audit and Risk Committee.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li><b>As reported at 5<sup>th</sup> March 2019</b> - Regular updates are being provided.</li> <li><b>As reported at 2<sup>nd</sup> April 2019</b> - Alongside the Action Plan within the Chief Executive's report, the Accountancy Team have a more detailed plan that was reported to Executive in January 2019 and is being kept up to date. Any dates at risk of being missed are being scrutinised and plans agreed to ensure completion of the task. Considered in detail at Principal Accountants Meeting 12/3/2019.</li> <li><b>As at 22<sup>nd</sup> July 2019</b>- Action Plan monitored weekly by Corporate Management Team and monthly by Executive/Finance and Audit Scrutiny Committee. Any risks arising raised as part of that reporting process. Alongside the Action Plan, the Accountancy Team have a more detailed plan that is monitored on a more regular basis. Fortnightly team meetings are held to discuss and resolve ongoing and future issues from the plan alongside regular 1:1 meetings across all levels of the team.</li> </ul>	✓



## Auditor commentary

We have also reviewed the timeliness of financial reporting as part of our Value for Money procedures




## Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
 <b>RED</b>	<p>Quality and completeness of evidence provided for audit. We have previously reported to members that the quality and completeness of working papers provided to the audit team during the financial statements has not been of the standard we would expect. We have discussed this with finance officers during the audit who now have a much greater understanding of what is required to produce an appropriate working paper.</p>	<p>The Head of Finance should ensure that an appropriate training programme is in place for all officers that produce working papers to support the financial statements. The training should include the features of a good working paper and a reminder that a good working paper should enable another suitably qualified professional with no prior knowledge of the authority the means upon which to re-perform the work.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>• Training on the production of quality working papers for all the Accountancy Team will be provided by the Final Accounts Project Manager early in the New Year.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li>• <b>As reported at 5<sup>th</sup> March 2019</b> - Following the dissemination and discussion of the closure plan with the accountancy team on the 4<sup>th</sup> January, training is planned to be provided. The training is being run by Rugby's training officer, and will be delivered to the Finance teams of Warwick, Rugby and Nuneaton on the 27<sup>th</sup> February.</li> <li>• <b>As reported at 2<sup>nd</sup> April 2019</b> - Working Paper requirements, and examples shared with the team and subject to discussion</li> <li>• <b>As at 22<sup>nd</sup> July 2019</b>- Working Paper requirements, and examples shared with the team and subject to discussion. This was supplemented with 1:1 training. Working papers checked by Principal Accountants and Strategic Finance Manager as appropriate prior to submission to auditors, and supporting evidence attached to all journals posted in the ledger.</li> </ul>	



# Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
 <b>Amber</b>	Pension liabilities are a key estimate in the accounts. We have reviewed the estimation technique used in determining this estimate and are satisfied with the methodology used. We have noted that officers have not evidenced any formal challenge of the assumptions used by the actuary.	<p>A working paper should be provided at year end which demonstrates how the Council has considered the work of the actuary and its reasonableness.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>This has been discussed with the Pension Fund Actuaries. An approach is planned that will enable variances to be identified, challenged, and explained.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li><b>As reported at 5<sup>th</sup> March 2019</b> - No further progress to report.</li> <li><b>As reported at 2<sup>nd</sup> April 2019</b> - This is being explicitly included in Closedown plan.</li> <li><b>As at 22<sup>nd</sup> July 2019</b>- This has been discussed with the Pension Fund Actuaries. Variances identified, challenged, and explained. Paper prepared to show variances and explanations.</li> </ul>	✓
 <b>Amber</b>	The accounting policies do not include a specific de minimis level for accruals of income and expenditure.	<p>Greater consideration should be given to whether more areas of the accounts would benefit from an increased reliance on estimation techniques to aid faster close.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>The accruals process will be reviewed early in 2019, ensuring all parties are clear about their responsibilities, timings, and relevant de minimis levels.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li><b>As reported at 5<sup>th</sup> March 2019</b> - The approach has been discussed with the audit team as part of the January planning visit, officers will need to undertake further work to demonstrate that the levels considered will not have a material impact on the accounts.</li> <li><b>As reported at 2<sup>nd</sup> April 2019</b> - New Accruals policy shared with all budget managers. The success of this policy, including time-saving, should be part of post mortem review of closure.</li> <li><b>As at 22<sup>nd</sup> July 2019</b>- New accruals policy discussed with Accountants and Auditors, with proposed de-minimis levels agreed. Incorporated into Closedown plan for Budget Managers (circulated 11/2/19), with supporting forms. The success of the new policy, including time saving, to be part of the review of closure</li> </ul>	✓




## Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
 <b>Amber</b>	There are a number of areas highlighted throughout the AFR where we have agreed with officers that disclosure omissions will be corrected in future years.	<p>The Head of Finance should ensure that the identified areas are actioned in future years.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>The disclosure omissions will be reviewed as part of the preparation for closedown. It should be noted that some disclosure were previously removed with the support of the auditors as part of the “de-cluttering” of the accounts.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li><b>As reported at 5<sup>th</sup> March 2019</b> - No further progress to report</li> <li><b>As reported at 2<sup>nd</sup> April 2019</b> - This is being looked at by Project Manager.</li> <li><b>As at 22<sup>nd</sup> July 2019-</b> The disclosure omissions addressed within draft accounts.</li> </ul>	✓
 <b>Red</b>	<p><b>Journals</b></p> <p>While we are satisfied that journals have not been used to override management controls, it is clear that improvements can still be made to the Council’s overall journal control process to ensure that the issues that have occurred this year do not re-occur in future years. In particular, there needs to be appropriate, and evidenced review of journals prepared by contract staff.</p>	<p>Controls around journals should be improved, particularly in relation to those prepared by contract staff.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>The Head of Finance and Principal Accountants are reviewing journal controls to tighten procedures. New controls will be in place by January 2019.</li> </ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"> <li><b>As reported at 5<sup>th</sup> March 2019</b> - The new process has been mapped and is expected to go live in mid January.</li> <li><b>As reported at 2<sup>nd</sup> April 2019</b> - New process in place</li> <li><b>As at 22<sup>nd</sup> July 2019-</b> New controls on journals in place from 1st January 2019. System to control being refined to improve its efficiency and timeliness. All journals posted to have relevant supporting information as required</li> </ul>	✓

## Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
<div><div></div><div>Amber</div></div>	<p>In reviewing the final set of financial statements the audit team identified a number of amendments had been made that were not in line with expectations. Officers were able to fully support these amendments however these were not material. In future, the Head of Finance might want to consider whether these type of changes are needed to the final set of financial statements, as a mechanism for further streamlining the process.</p>	<p>In future years officers should keep a full list of any proposed changes to the draft financial statements presented for audit. This list should be reviewed by the Head of Finance, in discussion with the auditors prior to any changes being made to the ledger and final set of financial statements.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"><li>Full controls will be implemented to ensure all proposed changes to the Statements are fully documented for discussion and agreement with the auditors.</li></ul> <p><b>Progress made against the recommendation</b></p> <ul style="list-style-type: none"><li><b>As reported at 5<sup>th</sup> March 2019</b> - No further progress to report.</li><li><b>As reported at 2<sup>nd</sup> April 2019</b> - Full controls will be implemented to ensure all proposed changes to the Statements are fully documented for discussion and agreement with the auditors.</li><li><b>As at 22<sup>nd</sup> July 2019-</b> Process set up to log any proposed changes to accounts, this having been shared with relevant staff. Details of audited proposed changes to accounts has been reviewed, with updates to the draft accounts being made in a controlled, systematic manner with relevant authorisation.</li></ul>	<div><div></div><div>✓</div></div>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

There are no adjusted misstatements to disclose other than misclassification and disclosure changes below:

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure note	Detail	Auditor recommendations	Adjusted?
<b>Balance Sheet</b>	<ul style="list-style-type: none"> <li>The Balance Sheet of the Draft financial statements did not include reference to a note for all material values</li> </ul>	<p>All material values on the face of the Balance Sheet need to be cross referenced to a supporting note. These include :</p> <ul style="list-style-type: none"> <li>➤ Long term investments £6.233</li> <li>➤ Long term debtors £6.198m</li> <li>➤ Short term investments £35.427m</li> <li>➤ Long term borrowing £136.157m</li> </ul>	✓
<b>Note 14 – Capital commitments</b>	<ul style="list-style-type: none"> <li>In accordance with the CIPFA code para 4.1.4.3 ‘<i>the financial statements shall also disclose the amount of contractual commitments for the acquisition of property, plant and equipment</i>’</li> <li>The Property, Plant and equipment note 14 includes disclosures regarding capital commitments. These commitments are not all supported by external contractual arrangements.</li> </ul>	The Council should update its capital commitments note to include only those commitments which are contractual.	✓
<b>Minor amendments</b>	<ul style="list-style-type: none"> <li>Various</li> </ul>	<p>A small number of other minor amendments were made to correct typing errors, page numbering and incorporate additional narrative information. We do not deem these significant enough to bring to the attention of those charged with governance.</p>	✓

# Audit Adjustments

## Impact of Adjusted misstatements misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have been made within the final set of financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<b>1 Capital Grants received in advance</b> Council officers have identified as part of its review of working papers that there is a misclassification error in regard to CIL receipts (totalling £438k), which were originally classed as Capital Grants in Advance on the Balance Sheet. It has been subsequently discovered that CIL receipts should be classed as Capital Grants Unapplied. Capital Grants in Advance are included within the Long Term Liabilities section of the Balance Sheet whereas Capital Grants Unapplied are included within the Usable Reserves section.	0	0	0	N/A this has been adjusted
<b>2 Note 23 – Provisions</b> The council has identified as part of its review of working papers that there is a misclassification error within the split of provisions due within and over one year.  Business rate appeals payable in more than one year are overstated by £705k  Business rate appeals payable in less than one year are understated by £705k	0	0	0	N/A this has been adjusted
<b>Overall impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Finance and Audit Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<b>1 Potential impact of the McCloud determination and GMP indexation</b>  The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.  Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.  The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP indexation. The actuary's estimate was of a possible increase in pension liabilities of £1,089k.  We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.	£1,089k  (Increase in Expenditure)	(£1,089k)  (Increase in Liability)		The figures provided by the actuary are an estimate, and not a formal actuarial valuation.  Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.
<b>Overall impact</b>	<b>£1,089k</b>	<b>£1,089k</b>	<b>£0</b>	

NB: If adjusted, the entries would impact upon the Statement of Comprehensive Income and Expenditure, Balance Sheet and MiRS and various other accounts disclosures in relation to the pensions liability but would ultimately be reversed out to the pensions reserve under statute (Cr MIRS: Adjustments affecting Pension Reserve £1.089m and Dr Balance Sheet: Pension Reserve £1.089m). There would therefore be no impact on the General Fund or HRA reserves and council tax.

# Fees

We confirm below our final fees charged for the audit . There were no fees for the provision of non audit services.

Audit Fees	Proposed fee	Final fee	2017/18 Fee
Council Audit – as reported in our fee letter (without the 2017/18 fee variation)	£41,290	£41,290	£53,623
Total audit fees (excluding VAT)	£41,290	£41,290	£53,623
Fee Variations:	£4,500		
Assessing the impact of the McCloud ruling - The Government’s transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government’s application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements.			
Pensions – IAS 19 - The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.			
PPE Valuation – work of experts - The Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.			
Revised total audit fee (excluding VAT)	£45,790	£TBC	£53,623

All of the fee variations above have been driven by additional work required as the result of either sector challenges or in response to FRC feedback not as the result of weaknesses in the Council’s arrangements in the preparation of its financial statements. The revised fee for the year is being discussed with management and is subject to approval by Public Sector Appointments Ltd (PSAA) but it should be noted that £45,790 would still be a 15% fee reduction on the initial prior year fee (before variations for the 2017/18 delayed audit).

Note 31 External Audit Costs includes £41k which agrees to the proposed fee for 2018/19 as shown above. Additional fees will be billed separately.

Non Audit Fees	Grant Certification	Fees £	
	Certification of Housing benefit grant claim.	14,250	Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.
	Fees for other services		
	Audit related services:		
	Certification of Housing capital receipts grant	3,000	
		£17,250	
Item 4 / Appendix 1 / Page 31			

# Audit opinion

We anticipate we will provide the Council with an unmodified audit report

## Independent auditor’s report to the members of Warwick District Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Warwick District Council (the ‘Authority’) for the year ended 31 March 2019 which comprise the Comprehensive Income & Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the Accounts, including a summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Notes to the Housing Revenue Account, the Collection Fund and Notes to the Collection Fund. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# Audit Opinion

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is

is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 11 and 12, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director 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

# Audit Opinion

authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

## Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Responsibilities of the Authority

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.

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2019.

# Audit Opinion

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does 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 2019.

**Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Signature]

Grant Patterson, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

# Management Letter of Representation

## Warwick District Council Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance. ding outcome of audit.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

# Management Letter of Representation

- x. We have considered the adjusted misstatements, misclassification and disclosures changes and unadjusted misstatement schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

# Management Letter of Representation

**xxiv. Annual Governance Statement**

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**xxvi. Narrative Report**

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

**xxviii.Approval**

The approval of this letter of representation was minuted by the Council's Audit and Risk Committee at its meeting on 30 July 2019.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of the Governing Body



PO Box 2180, Warwick District Council, Riverside House  
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**email:** mike.snow@warwickdc.gov.uk  
**web:** www.warwickdc.gov.uk

**our ref:MS/  
your ref:**

30 July 2019

Dear Sirs

**Warwick District Council**  
**Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular, the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. Where agreed, the Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. The unadjusted misstatement relates to the potential impact of the McCloud determination and GMP indexation. This would have the effect of increasing liabilities by £1.098m and increasing expenditure by the same amount. We have not adjusted the financial statements for this misstatements brought to our attention as it is immaterial to the results of the Council and its financial position at the year-end.

- The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
  - xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
  - xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### Information Provided

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

### **Narrative Report**

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

### **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 30<sup>th</sup> July 2019.

Yours faithfully

Name.....

Name.....

Position.....

Position.....

Date.....

Date.....

**Signed on behalf of the Warwick District Council**

Yours sincerely,

**Mike Snow**  
Head of Finance

# STATEMENT OF ACCOUNTS 2018/19

*and ANNUAL GOVERNANCE STATEMENT*



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**Please note that the Statement of Accounts presented in this document are un-audited and may be subject to change.**

Mike Snow, CPFA  
*Head of Finance*

# Message from the Head of Finance

## *Mike Snow*



As the financial statements demonstrate, the financial standing of the Council continues to be robust. We have established good financial management disciplines, processes and procedures and recognising that we operate in an environment of continuous change, we pursue our drive for on-going improvement and excellence.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information so that members of the public, including electors and residents of Warwick District, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the financial outturn for 2018/19;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years with the exception of a restatement for 2017/18 due to a change in departmental structure. In accordance with the Auditors' 2017/18 recommendation, the content has been reviewed and the "de-cluttering" exercise has continued to seek to make the accounts more understandable and to ensure their timely production.

The Narrative Report provides information about Warwick District, its main objectives and strategies, the principal risks that it faces as well as demonstrating how the Council has used its available resources to achieve desired outcomes from both a financial and non-financial perspective. It also provides a summary of the financial position at 31 March 2019.

Legislation requires that an authority's draft accounts are completed by 31 May following the year end, and an audited Statement of Accounts submitted to the appropriate body for approval by 31 July. In order to aid transparency, it also requires all local authorities to have a common thirty day public inspection period which includes the first ten working days in June.

The Council failed to meet the statutory deadline for the Audit approval of its 2017/18 financial statements. Actions have been put in place across the Council to ensure the completion of the audited accounts by 31 July 2019.

# Our District and its Demographics

Warwick District Council is one of five district / borough councils within the shire county of Warwickshire. It lies in the south of Warwickshire and covers approximately 28,288 hectares, and is home to around 58,700 households (137,600 people).

This area includes the towns of Kenilworth, Royal Leamington Spa, Warwick and Whitnash, accounting for around 80% of the population. The remainder of residents live in a number of villages, many of which are green belt. The District is bordered to the south and west by Stratford-on-Avon District, to the east by Rugby Borough and to the north by Solihull and the city of Coventry.

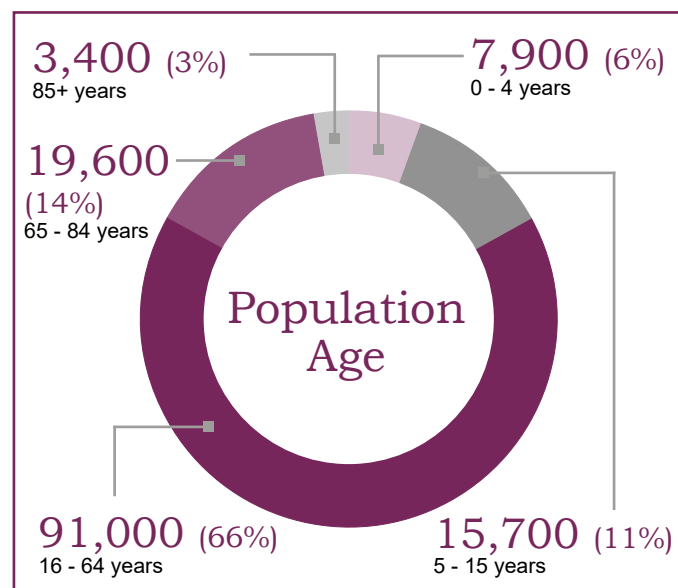
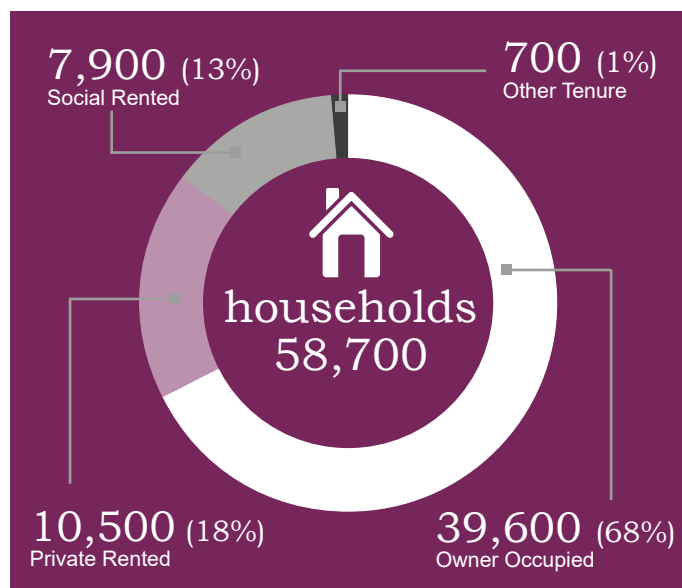
The District provides a central location with strategic transport links. There are major routes across the area including the M40 providing direct access to London and indirect links to the north-west via the M6 and M5 respectively. There are junctions outside of the District near Rugby, providing links to the north and east. There are rail services to the rest of the West Midlands and London and the Government's development of the high speed rail line "HS2" will run directly through the District.

The District boasts a rich cultural heritage, with two of the most popular tourist attractions being Warwick Castle and Kenilworth Castle. The Royal Pump Rooms in Royal Leamington Spa is a cultural and tourist attraction and there are several museums in Warwick. The Royal Spa Centre runs a programme of theatre, drama, comedy, film and community events in its 667 seat main house and 188 seat studio cinema.

The District has the largest population in the county and the population density of 4.9 people per square hectare is the second highest in Warwickshire and above national/regional averages. The population grew over the ten years from 2001 to 2011 by over 9%, a faster rate than England and Wales and the West Midlands and second only to Rugby in the county.

The District has the highest proportion of non "White-British" people in the county at 16.6% but this is still lower than the national and regional average.

Kenilworth and Royal Leamington Spa were recently ranked in the top five of places to live in the Midlands as part of *The Sunday Times'* 2019 Best Places to Live in Britain list.



# Our Local Economy and its Social Indicators

The local economy is diverse although four sectors account for nearly 50% of employment: manufacturing, education, health, and wholesale and retail including motor trades.

Throughout the period from 2004 to present, the rate of unemployment has been considerably lower than the national and regional average, while average earnings for employees living in the District were higher at £32,582 in 2015.

The level of people owning a vehicle in the District is relatively high at 81.5%: with 69% of people travelling to work by car; higher than regional and national average but the lowest percentage in Warwickshire. Over 14% of people travel to work on foot or bicycle, the highest in Warwickshire and well above the national and regional figures.

The population of the District is relatively healthy with 84.5% of the population being in good or very good health, the highest in the county and better than the national and regional averages.

The Department of Health and Social Care's profile for Warwick identified that in 2015 local health priorities were addressing alcohol misuse, smoking in pregnancy and tackling obesity.

According to Government figures the District is ranked 267 out of 326 local authority areas in England for deprivation, where 1st would be the most deprived. In creating this ranking relatively small areas are also considered and one such area in our district, Lillington East, was ranked in the 10% most deprived areas of England.

travel to work  
**69%**



good or very good health

**84.5%**

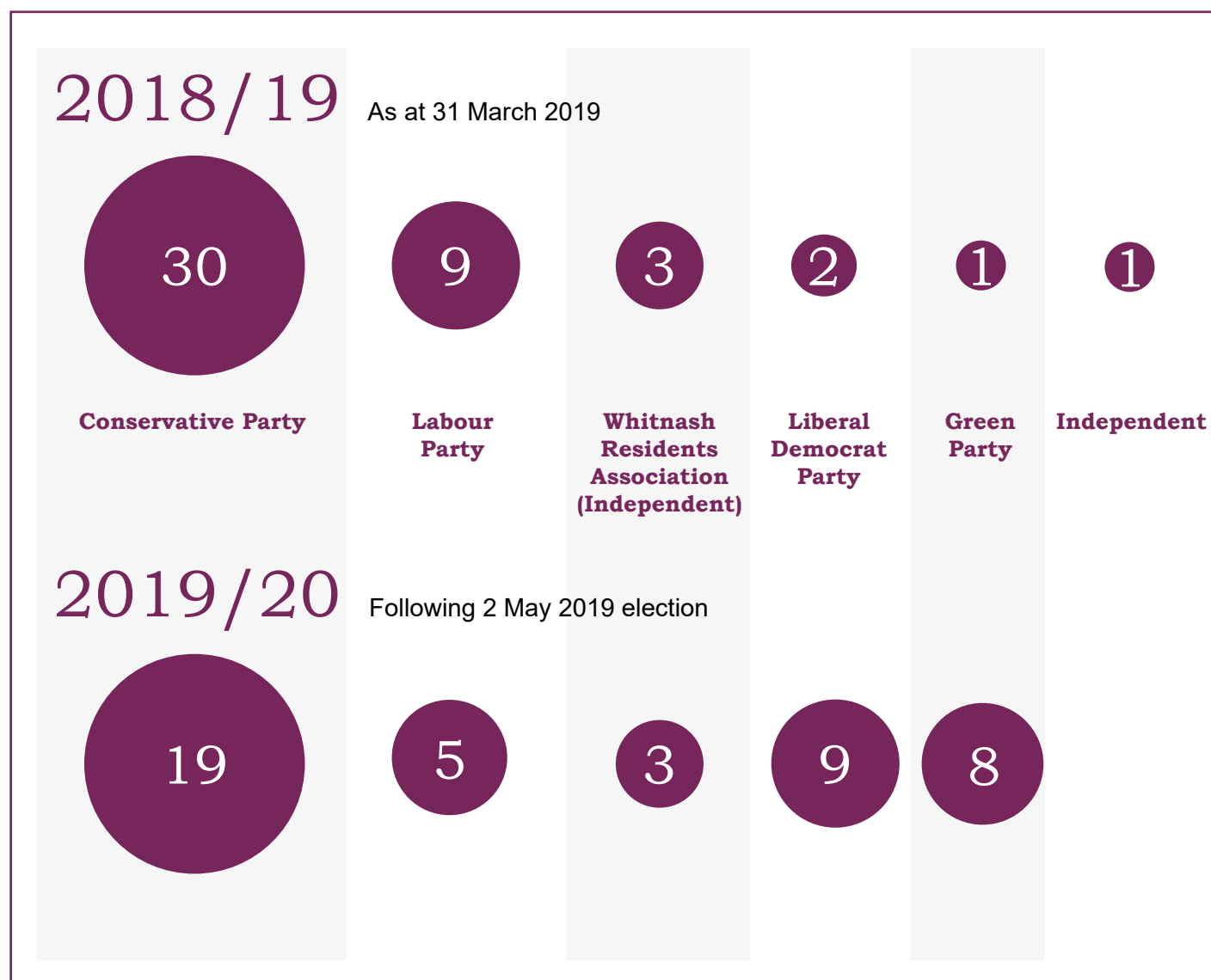


## Warwick District Council *Key Information*

Warwick District Council is a multifunctional and complex organisation. Its policies are directed by the political leadership and implemented by Portfolio Holders, who make up the Executive (the Council's main decision making body) and officers of the Council.

# Political Structure

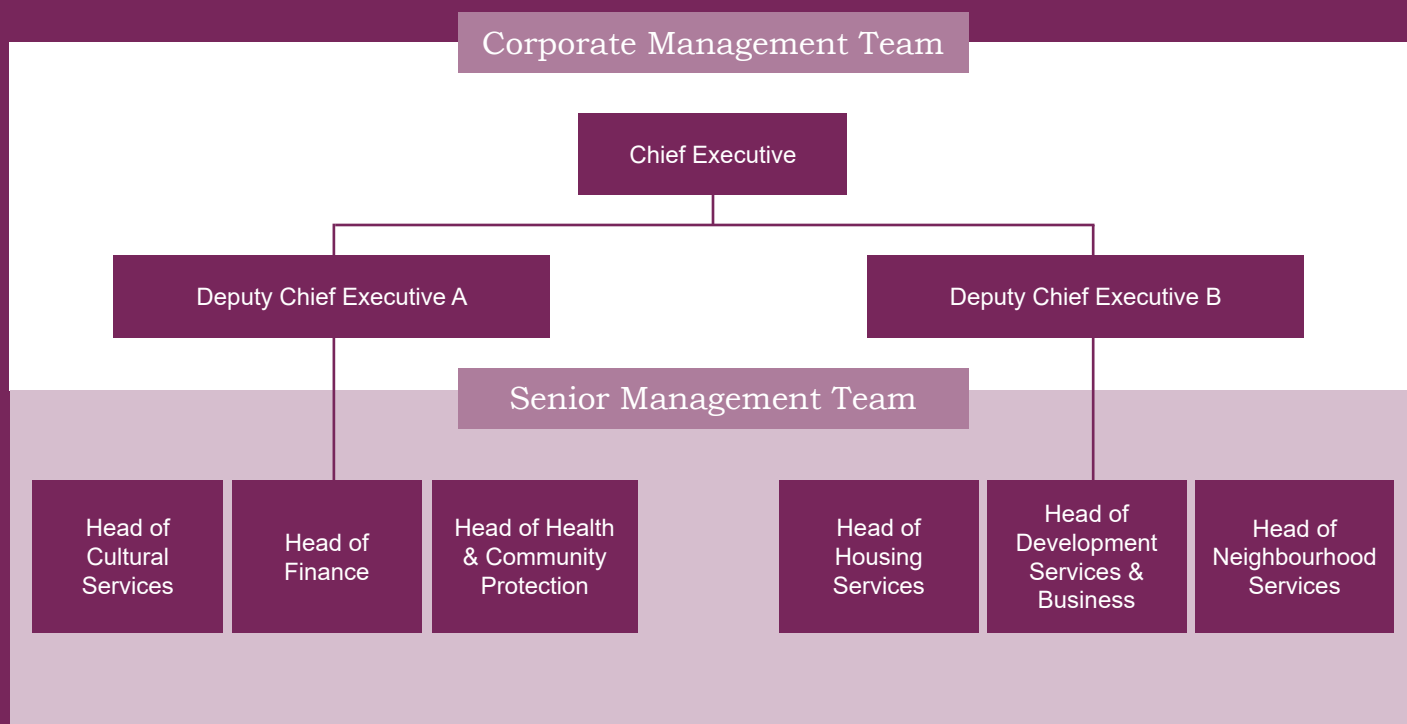
As at 31 March 2019, Warwick District had 22 wards and the Council consisted of 46 Councillors. Boundary changes since the last local elections in 2015 have resulted in a reduction in the number of wards and councillors representing the District, to 17 and 44 respectively in the 2019 local elections. The political make up of the Council is shown below.



The Council has adopted the Leader and Executive model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Executive has responsibility for the allocation of Portfolios and the delegation of Executive Functions. Executive members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Executive decisions for 2018/19, including the setting of a balanced budget for 2018/19, has been undertaken by either the Finance and Audit Scrutiny Committee or Overview and Scrutiny Committee.

# Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team, led by the Chief Executive.



During 2018/19 the Corporate Management Team was comprised of the Chief Executive and two Deputy Chief Executives. Deputy Chief Executive A also performs the duties of the Monitoring Officer and Legal Client Manager.

The Head of Finance periodically attends the Corporate Management Team meetings in his role as the Council's Chief Financial Officer (the officer responsible under statute for the administration of the Council's financial affairs) together with other Heads of Service as required. This ensures that the key statutory officers are represented at the most senior level of the Council.

The Corporate Management Team is responsible for the delivery of Council services, directing improvements and future plans for Warwick District. It provides managerial leadership and supports

Councillors in:

- Developing strategies;
- Identifying and planning resources;
- Delivering plans; and
- Reviewing the Council's effectiveness with the overall objective of providing excellent services to the public.

Supporting the Corporate Management Team is the Senior Management Team which consists of six Heads of Service as shown in the diagram above.

# Council Employees

The full time equivalent number of staff employed by the Council in April 2018 was 473. This increased over the year to 502 at the end of March 2019. The majority of the increase is made up of fixed term positions, including 12 new apprentices.

The Council is committed to training and development, and encourages a healthy work life balance for all staff and has achieved the National Award for England's Health and Wellbeing Charter and Investors in People accreditation.

From 1 April 2017 the Council has contributed 0.5% of its total employee pay bill towards the national apprenticeship levy. As a levy paying employer, the Council receives funds from the Apprenticeship Service which is used towards apprenticeship training.

# Our Vision

The Council's Vision is to make Warwick District "a Great Place to Live, Work and Visit" that is to build sustainable, safe, stronger and healthier communities. The vision is underpinned by the Fit for the Future Strategy which sets out the Council's internal and external aims against three key strands and is summarised in the table below.

Visit our website for more information on the updated Fit For Future Strategy and the 2018/19 service area plans.

1

## People

To make Warwick District a great place to live that offers improved health for all, ensures all our residents housing needs are met and to provide impressive cultural and sports activities and cohesive, active communities. Ensure our staff have the right skills and knowledge to do their jobs well and to be supported through training and development.



2

## Services

To deliver clean, green and safe services, to our local residents. And by listening to their feedback, we will continuously review and measure the way we do things, making improvements along the way.

## Money

To create a dynamic and diverse local economy with vibrant town centres. To balance the budget, operate efficiently and to make our assets work for us. It is important that our staff review the way we do things, find efficiencies, cost savings and generate income to help us to work within our budgets.

3

# Our Values

Our values are at the heart of everything we do, and they underpin what is important to the Council and how we all work together;



## **Honesty and openness**

We will be truthful and transparent about how we run your Council.



## **Value for money**

We will make efficient use of our resources to offer you the best possible services at the best price.



## **Environmentally sensitive**

We will ensure our long term impacts are minimised and are sustainable for future generations.



## **Community focused**

We will put the needs and aspirations of our local communities to the fore. We will work flexibly and collaboratively as one Council and with others in response.



## **Fairness and equality**

We will value all our citizens and our work will be without bias or prejudice.



*Warwick District, a great place to live, work and visit*

# Resource Strategies

Fit for the Future is supported by three resource strategies (Finance, ICT and People) which set out how the council plans to utilise its resources to achieve its objectives:

## ICT Strategy

The Government's digital strategy is to provide "digital services which are so straightforward and convenient that all those who can use digital services will choose to do so, while those who can't are not excluded".

The ICT Strategy outlines the approach that the Council will take to develop and deploy digital technologies that support service delivery, ensuring that these solutions work for our customers. It defines our vision, key themes and overall direction of travel for ICT and Digital services.

## People Strategy

The People Strategy 2016/2020 sets out how the Council's approach to resourcing, learning and development, and cultural change to ensure that its workforce is able to support the Fit for the Future Strategy, as it is our staff that deliver the Council's vision to make Warwick District a great place to live, work and visit.

## Medium Term Financial Strategy for 2018/19 to 2022/23

The Medium Term Financial Strategy (MTFS) was approved by Council on 21 February 2018. This document sets out the financial framework used to ensure adequate financial resources are available to achieve Council's objectives, and that appropriate action is taken to address significant future challenges.

Visit our website for more information on these strategies.

# Annual Service Area Plans



The Council has seven Service Areas – Chief Executive's Office, Cultural Services, Development Services and Business, Finance, Health and Community Protection, Housing Services and Neighbourhood Services. Each service area produces, in consultation with Portfolio Holders and relevant stakeholders, Annual Service Area plans for particular areas of activity. The individual plans seek to describe the scope of each Service Area's services and projects and how delivery will be managed with available resources. In aggregate the Service Area Plans represent the programme of work for the Council for each financial year.

Visit our website for further information on the individual 2018/19 service plans.

Performance against the Service Area Plan is reviewed by Overview and Scrutiny Committee on a rolling basis throughout the year. Narrative based performance reports are presented annually to Executive at the end of the municipal year.



# Our Services



# Financial Overview

## 2018/19

The approved revenue budget sets out how the Council plans to allocate revenue funding during the year in order to deliver services to the people and communities within Warwick District. The 2018/19 revenue budget process was influenced and framed by the continued need to make reductions in expenditure whilst progressing Council priorities.

The Council has seen core Government grant funding decreasing in recent years, finally reducing to zero in 2019/20. The Government's intention is to phase out non-specific grant funding altogether, and instead allow local authorities to retain a

higher proportion of locally collected business rates. In order to provide greater certainty around future funding levels, the Council accepted the Government's offer to "fix" the grant figures for four years from 2016/17.

Revenue resources available to finance the General Fund budget used to provide services are forecast to be approximately £13.7m by 2021/22. A year by year breakdown is shown in the diagram below:

Revenue Resources	2018/19 Actual '£000	2019/20 Forecast '£000	2020/21 Forecast '£000	2021/22 Forecast '£000
Revenue Support Grant	307	-	-	-
Business Rates	3,977	5,268	3,337	3,444
Collection Fund Balance	95	143	-	-
New Homes Bonus	2,482	3,359	-	-
Other Grants and Government Funding	2,142	15	-	-
Council Tax	10,164	9,274	9,744	10,222
<b>Total Revenue Resources</b>	<b>19,167</b>	<b>18,059</b>	<b>13,081</b>	<b>13,666</b>

Revenue expenditure reductions of over £5m have been made during the period 2009/10 to 2018/19, and a further £1.8m of savings/increased income have been built into revenue budget forecasts for 2019/20 to 2022/23.

Other future changes that it is anticipated will impact on the Council's finances are:

- Uncertainty around proposed changes to the proportion of Business Rate income retained by local authorities from 2020/21.
- Economic changes arising from Brexit including associated amendments to legislation
- Efficient procurement to deliver quality services at minimum cost

- Population growth increasing demand for services provided
- Expenditure pressures relating to pay awards, inflation, and capital programme financing costs.

It is clear that the Fit for Future change programme will have to continue for the foreseeable future, so that the Council's resources are managed appropriately to balance the budget, and deliver services in innovative ways, that continue to meet our customer's needs.

In 2018/19 the Council approved a net General Fund budget of £8.642m which resulted in a D Band Council Tax charge of £161.86, an increase of £5 (3.19%) compared to the previous year.

# Financial Overview

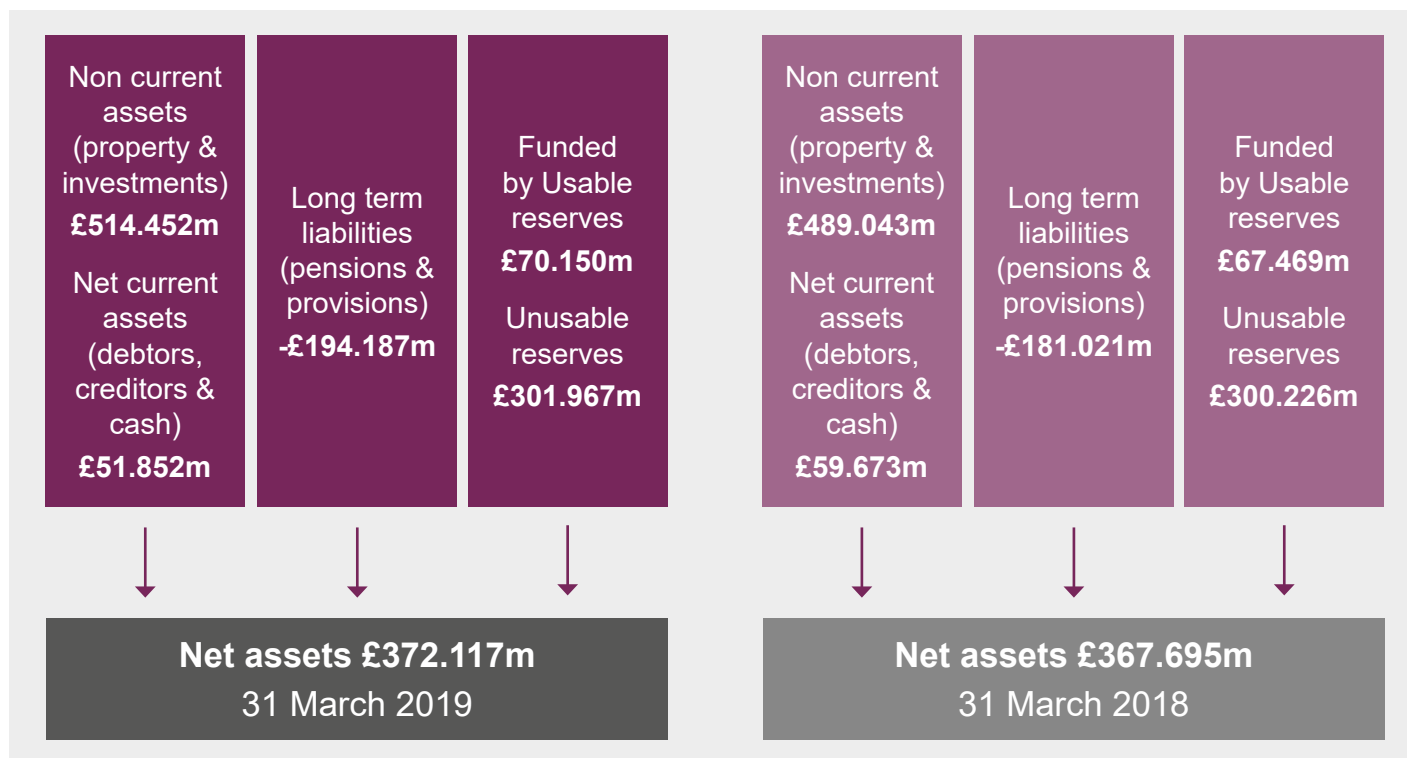
## 2018/19



During the year, the Council:

- Managed £243m of Council services
- Collected over £69.718m of Business Rates and £93.859m of Council Tax, of which £148.986m (91%) is passed onto Central Government and other agencies.
- Managed £10.996m of Investment Property which generated £0.512m of rental income which was used to support the provision of services within the District.
- Spent £88.334m (gross expenditure) on Council services
- Received £40.706m of fees, charges and other service income, and Government grants and other contributions of £36.430m which were used to deliver Council services
- Invested surplus cash balances to generate £0.916m of interest receivable.

The Council continues to be in a robust financial position and maintains a strong balance sheet despite the financial challenges facing the Council.



The specified minimum level of General Fund revenue reserves as determined by the Head of Finance is £1.5m. The level of General Fund reserves to be carried into 2019/20 is £20.813m, which is £19.313m above the specified minimum amount. £18.794m of this total relates to Earmarked Reserves which have been set aside for specific purposes.

# Financial Performance

## 2018/19

The Council's financial outturn position in respect of both General Fund Services and the Housing Revenue Account is shown in the table below.

### Revenue Outturn Position

	Original Budget £000	Actual £000	Variation £000
Business (Development Services)	2,678	2,785	107
Cultural Services	6,849	10,105	3,256
Development Services	36	318	282
Finance	2,723	2,233	(490)
Health & Community Protection	3,643	3,051	(592)
Housing Services - General Fund	1,617	1,391	(226)
Housing Services - HRA	5,126	6,273	1,147
Neighbourhood Services	6,906	6,202	(704)
Strategic Leadership	2,751	2,442	(309)
<b>Net Revenue Expenditure on Services</b>	<b>32,329</b>	<b>34,800</b>	<b>2,471</b>

It should be noted that the above table shows the Council's net revenue expenditure, analysed by portfolio, as reported for resource management purposes. The Expenditure and Funding Analysis reconciles the net expenditure shown above, together with the accounting adjustments to provide a reconciliation to the Comprehensive Income and Expenditure Statement.

In overall terms, the Council achieved a General Fund surplus of £0.321m, and a HRA surplus of £3.999m, both of which have been allocated to reserves.

# Financial Performance

## 2018/19

A summary of the key variances occurring during the year by portfolio is shown in the table below.

Revenue Outturn Variances 2018/19	
<b>Business (Development Services)</b>	<b>Capital charges:</b> impairment / asset revaluation / REFCUS £0.438m <b>Income:</b> Increased rental income -£0.039m Government grants received -£0.100m <b>Support services:</b> Reduced recharges -£0.090m
<b>Cultural Services</b>	<b>Capital charges:</b> impairment / asset revaluation / depreciation £3.249m <b>Income:</b> increased non-WDC admissions -£0.162m <b>Employees:</b> increase in events throughout arts facilities £0.076m
<b>Development Services</b>	<b>Income:</b> lower than forecast planning applications £0.202m Building control recharges reduced due to vacant posts £0.123m
<b>Finance</b>	<b>Income:</b> Housing benefit subsidy claim -£2.186m <b>Transfer Payments:</b> Housing benefit rent allowances / rebates £1.981m <b>Supplies &amp; Services:</b> Reduction in Bad debt provision -£0.067m Delay to One Stop Shop Digital transformation -£0.049m <b>Employees:</b> Pay award contingency not required -£0.048m
<b>Health and Community Protection</b>	<b>Capital charges:</b> Revenue Expenditure Funded from Capital -£0.550m
<b>Housing and Property Services</b>	<b>Income:</b> DFG allocation -£0.164m Recharges -£0.132m <b>Employees:</b> Staffing vacancies -£0.144m <b>Premises:</b> R&M to temporary homeless accommodation £0.186m <b>Third party payments:</b> Reduced use of Consultancy services -£0.113m
<b>Housing Revenue Account</b>	<b>Capital charges:</b> Impairment / asset revaluation / depreciation £1.341m <b>Employees:</b> Staffing vacancies -£0.329m <b>Premises:</b> Increased repairs and maintenance to improve stock £0.620m <b>Supplies &amp; Services:</b> Bad debt provision lower due to UC delay -£0.175m <b>Third party payments:</b> Reduced consultancy service requirement -£0.270m
<b>Neighbourhood Services</b>	<b>Premises:</b> Delays to car park displacement strategy -£0.458m <b>Capital charges:</b> Impairment / asset revaluation / depreciation -£0.062m <b>Support Services:</b> Revised waste management recharges -£0.066m <b>Supplies and Services:</b> Fly tipping response service delayed -£0.029m
<b>Strategic Leadership</b>	<b>Employees:</b> Staffing vacancies -£0.226m <b>Supplies &amp; Services:</b> Digital transformation project reserve funded -£0.098m

### Housing Revenue Account

The Housing Revenue Account (HRA), is a ring-fenced account for services specifically relating to the provision of housing and associated services to Council tenants and leaseholders. The cost of providing for these services is met from Rents, service charges and grant funding. £27.603m of income was received, of which £25.049m related to dwelling rents from 5,478 properties. £20.568m of this was spent on providing revenue services in year, and a surplus of £3.999m was achieved. The surplus has been transferred to the HRA Capital Investment Reserve (CIR), to be used to finance future housing projects.

HRA reserve balances at 31/03/2019 equal £30.841m, and the Major Repairs Reserve (MRR) balance (used to fund capital expenditure improving HRA assets, or to repay HRA debt) is £8.099m.

As outlined in the Housing Investment Programme (HIP), the Council plans to spend £36.064m over the next 4 years to increase and improve its housing stock, following an £11.086m investment in 2018/19.

# Capital Programme 2018/19 to 2022/23

The Council has an ambitious 5 year capital programme: it is planning to spend £41.842m over this period. This investment will deliver a range of objectives including:

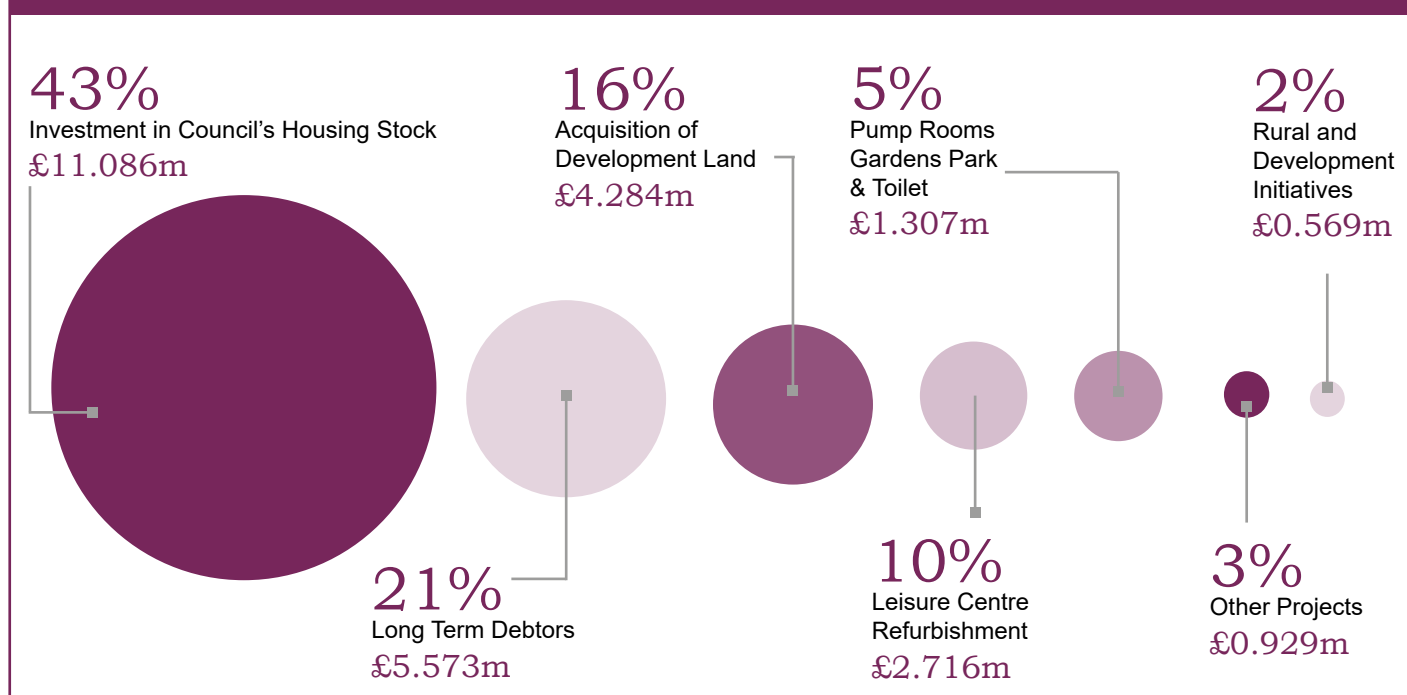
- Realising local aspirations as set out in the Fit for the Future programme - for example delivering enhanced leisure facilities following the refurbishment of St Nicholas and Newbold Comyn leisure centres
- Maintaining and enhancing the condition of existing assets including “invest to save” projects which generate revenue savings, releasing valuable resources for other purposes (for example investing in Information and Communication Technology)
- Achieving regeneration and economic vitality in the district such the development of the Europa Way site and the improvement of Leamington Old Town
- Increasing the number of affordable homes in the district

- Improvements to the Council's existing housing stock

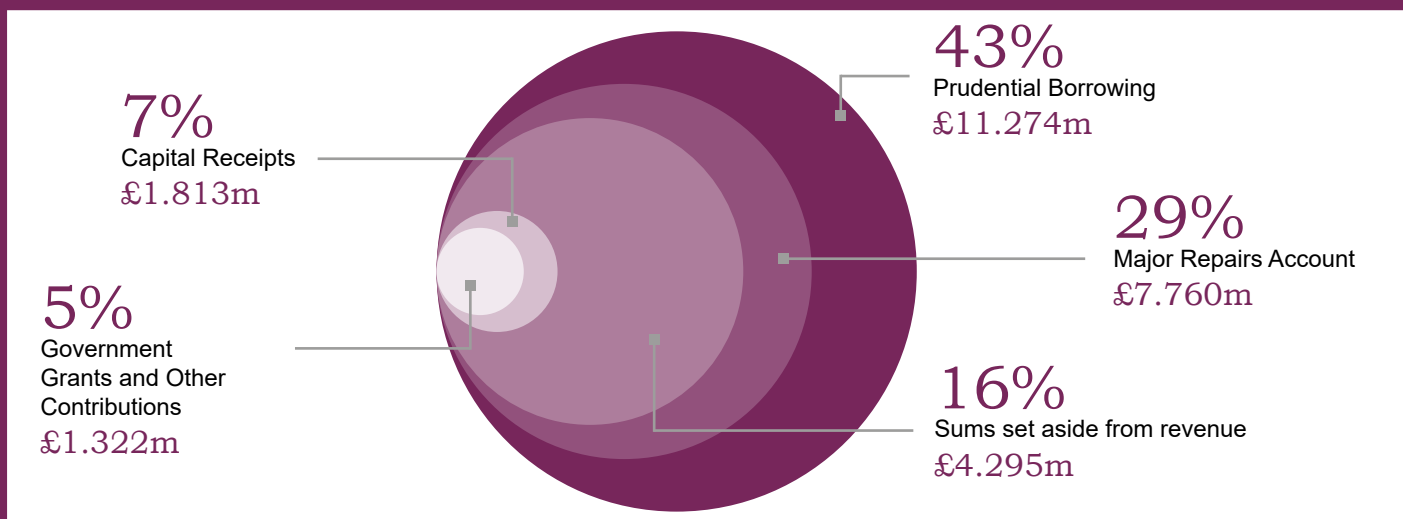
The main sources of funding for these future works are Right to Buy sales of council homes to eligible tenants (£3.449m), contributions to capital works from developers (£2.231m), use of the Council's own resources – either by revenue contributions to capital projects (£0.811m) or the use of earmarked reserves (£35.172m), and borrowing provided the Council can demonstrate that it can afford to service the debt (£0.179m).

The 2018/19 total capital budget of £11.226m was approved at the Council Meeting on 21 February 2018. This was subsequently revised to £29.045m with the addition of re-profiled expenditure from the previous financial year and further approvals in the year. Actual capital expenditure for 2018/19 was £24.464m (£15.398m 2017/18). The charts below detail this expenditure and the accompanying financing.

## Capital Expenditure 2018/19



## Capital Financing 2018/19



The expenditure analysis by portfolio, together with explanations of major project variances occurring in 2018/19 is shown in the tables below.

Capital Expenditure 2018/19	Revised Budget £000	Actual £000	Variation £000
Cultural Services	3,250	3,100	(150)
Development Services and Business	10,962	10,102	(860)
Finance	200	179	(21)
Health and Community Protection	648	151	(497)
Neighbourhood Services	2,972	1,496	(1,476)
Strategic Leadership	415	350	(65)
<b>Total Other Services Expenditure</b>	<b>18,447</b>	<b>15,378</b>	<b>(3,069)</b>
New Build/Reprovision of Housing	2,345	2,607	2
Improvements/Renewals	8,253	8,479	486
<b>Total HRA Related Housing Investment Programme (HIP)</b>	<b>10,598</b>	<b>11,086</b>	<b>488</b>
<b>TOTAL Capital Expenditure</b>	<b>29,045</b>	<b>26,464</b>	<b>(2,581)</b>

## Capital Expenditure Variances 2018/19

Major variances were caused by:	
<b>Cultural Services</b>	£200k underspend relating to delays to the planned refurbishment of Kenilworth leisure centres.
<b>Development Services and Business</b>	Underspend of £860k predominantly relating to: St Mary's Land Cycleway project delayed due to planning application issues (£167k), Kenilworth Wardens project did not progress as quickly as anticipated (£400k), and the final drawdown of the Kenilworth School loan is subject to the completion of the capital works (£379k).
<b>Health and Community Protection</b>	£379k underspend relating to delays in the Whitnash Community Hub project. Delays have occurred due to increases to the initial construction costs requiring additional funding to be secured, and also gaining planning approval for a variation to the building design.
<b>Neighbourhood Services</b>	£531k underspend due to delays in starting parks improvement works due to a delay in awarding the contract. £195k underspend as works to the undercroft and bandstand in the Pump Room Gardens were delayed due to inclement weather. The Parking Displacement project (£555k) has been deferred until feasibility phase of Covent Garden Redevelopment project completed, and the Parking Machine Upgrade (£124k) delayed due to longer than anticipated software programming.
<b>HRA Related HIP</b>	Overspends relating to Repurchase of an additional 3 ex-council houses and a 25% share of 1 shared ownership property were purchased during the year (£648k), and the final purchase and refurbishment costs of Beauchamp House were higher than forecast (£179k). Delays in the completion of the purchase of properties at Cloister Way resulted in only 2 out of the 5 properties being purchased in 2018/19 - an underspend of £566k.

# Council Performance at a Glance 2018/19



**1.1 million**  
visitors to the  
Council's leisure centres

Invested  
**£1.072m**  
in improvement works to parks  
and open spaces

Over  
**126,000**  
visitors to  
Leamington Spa Art Gallery  
and Museum



**2,117**  
planning applications received

More than **90%**  
of planning applications determined  
within statutory timescale



  
**£14.623m**  
invested to improve, maintain and  
repair HRA properties



Over 4.1 million waste  
collections, with more than  
**99.23%**  
completed on the scheduled day



Hat trick of Green Flag awards for  
Jephson Gardens, Oakley Wood and  
Crackley Woods in

**2018** 



Over  
**90,500**  
visitors to the Royal Spa Centre



Awarded  
 **INVESTORS  
IN PEOPLE** | Silver



  
Approximately  
**3,000**  
homes constructed in the district  
over the past three years

# The Council's Performance 2018/19

Over the last year, the Council has achieved significant success in its key policy areas. For example:



## People

- The £16.011m refurbishment of Newbold Comyn and St Nicholas Park leisure centres was completed. The Council continues to work with Everyone Active who operate the centres on our behalf, to ensure local people can enjoy modern and varied sporting facilities across the district.
- There are now 12 apprentices within the Council, recruited through either our corporate programme, converted roles, or existing staff studying for qualifications within their existing roles.
- The Council has invested a further £2.0m in fire safety measures in its high rise blocks including 60 minute fire resistant flat entrance and communal doors, upgrades to electrical installations and emergency

lighting and automatic smoke ventilation to stairwells.

- The county-wide Home Environment Assessment and Response Team (HEART) service which provides specialist support for the delivery of home adaptations and related services, to help people maintain their independence and remain in their own homes for longer. For this District, at the end of March 2019 the HEART service had assessed and arranged for work to be carried out to 43 homes.
- The Council received nearly £301k of grant funding to prevent homelessness. This funding has been used to support various prevention methods including clearing rent arrears, rent in advance and estate agent credit check and application fees.

- £370k of grant funding was secured to prevent and reduce rough sleeping within the District. During the year the Council opened its first Direct Access Hostel which provides round the clock accommodation, support and care for the homeless. The number of individuals sleeping rough in the district fell from 21 in November 2017 to 12 in January 2019.

## Services

- In June 2018, work began to restore the Pump Room Gardens focusing on restoring the Victorian bandstand and reinstating key 19th century garden features. The £1.4m project includes almost £1.0m funding from the Heritage Lottery Fund Parks For People programme.
- The Council's recycling rate is

approximately 54.1%, which is well ahead of the national target of 50% by 2020.

## Money

- Leamington hosted the finish of the Women's Cycle Tour 2018. Around 20,000 visitors greeted the Tour, spending an estimated £434k. Leamington also hosted the finish of a stage of the Men's Tour of Britain with an estimated visitor spend of £135k.
- The Council achieved a collection rate of 97.8% for business rates and 98.3% for council tax.
- Over £1.8m of Community Infrastructure Levy (CIL) demand notices were issued during year – the Council's first year of operating CIL.

# Key Strategic Partnerships

PSP Warwick LLP was incorporated as a Limited Liability Partnership on 26 March 2013 as a collaborative activity between the Council and PSP Facilitating Limited. It is classified as a joint venture as the two parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require unanimous consent, and both have rights to the net assets of the entity. The primary role of the Joint Venture is to enable the Council to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the Council's operational and investment properties.

PSP Warwick LLP has two Designated Members: the Council has a 50% shareholding in this company; and the remaining 50% of shares are held by PSP Facilitating Limited. Profits are to be distributed amongst the Members according to shareholding, unless as agreed otherwise by the members for specific projects.

## Governance Framework

The Annual Governance Statement provides assurance to the community, service users, tax-payers and other stakeholders that the Council has in place good business practices, high standards of conduct and sound governance arrangements including suitable risk management arrangements.

The Council has adopted a Local Code of Governance which sets out the Council's commitments to seven core principles of governance.

Visit our website for further information.

The Accounts and Audit Regulations 2015 require the Council to conduct a review, at least annually, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The Council's 2018/19 Annual Governance Statement is included in the Financial Statements.

# Corporate Risks

A risk management strategy is in place to identify and evaluate risks to the Council's operations, key priorities and major projects. Significant risks are recorded in the Significant Business Risk Register which is reviewed and updated quarterly by the Senior Management Team, the Council Leader and the Executive.

Key risks currently identified include:

Risk/Issue	Probability of Occurrence	Management Action to Mitigate Risk
Failure to protect information assets from malicious cyber attack resulting in reputational damage, unforeseen recovery costs, lost productivity and adverse impact on service delivery.	Medium/High	Appropriate strategies and policies in place aiming to prevent, detect and contain an attack, reduce target exposure, speed up recovery times and minimise impact on service delivery. e.g. use of up-to-date anti-malware software, documented Major Virus Response procedures, multiple file servers, temporary website to be used in events of major outage, staff training.
Partnerships not delivering stated objectives leading to reduced levels of service provision, failure to deliver service, increased costs.	Medium/High	On-going scrutiny and audit of partnership arrangements, project groups for significant services, involvement in and engagement with existing sub-regional partnerships.
Major contractor going into administration or deciding to withdraw from contract leading to reduced service levels, non-achievement of objectives, adverse financial impacts and reputational damage.	Medium	Properly procured contracts, active contract management, business continuity plans in place.
Inappropriately qualified staff unable to undertake level or volume of work to meet Council priorities resulting in poor customer service and disruption to Council services.	Medium	Training budgets set to match short and long term needs, workforce planning, prioritisation of work, appropriate use of external resources.
Additional, unforeseen financial liabilities arising e.g. medium term financial strategy underestimates future expenditure and income, compensation payments, legal challenges, uninsured losses, resulting in higher than anticipated budget savings, sub-optimum and short term decisions unsupported by proper plans, and reduced service levels.	Medium	Regular monitoring of the Fit for the Future strategy, identification and control of emerging risks, effective financial planning, appropriate levels of financial reserves held and used to smooth fluctuations income and expenditure.

# Future Opportunities

The Council is actively working on several projects which present significant opportunities towards the Council's aspiration of making Warwick District a great place to live, work and visit.



## Europa Way

The Council has acquired a major development site. This will enable the provision of a new community stadium and associated commercial enabling development on part of the site. Leamington Football Club will relocate to the new stadium, so releasing their existing site for use as a gypsy and traveller site. The remainder of the Europa Way site has been purchased by the Council's housing joint venture partner, to produce new properties, of which 60% will be affordable.

## Council HQ Relocation and Convent Garden Car Park

The redevelopment of the site of the current multi storey car park enables :

- the construction of a 617 space multi storey car park with 62 electric vehicle charging points,
- the construction of new office premises for the Council's Headquarters (relocation from the existing offices will generate annual savings in running costs of around £300k),
- 41 residential apartments,
- the sale of the Riverside House site for housing development, and
- the release of the Town Hall for alternative use.

## Leisure Centres

Refurbishment works at both Newbold Comyn and St Nicholas Park leisure centres were completed in 2018. In addition to providing improved facilities for users of the centres, the Council is making revenue savings that exceed the cost of the investment.

As the population of the district continues to grow, further investment is proposed in the leisure facilities at Kenilworth to achieve similar objectives.

# Content and Format of the Statement of Accounts

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:



## Statements of Responsibilities

This statement sets out the respective responsibilities of the Council and the Chief Finance Officer (Head of Finance).

## Core Financial Statements

The Statement of Accounts comprise four core financial statements:

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

A description of the purpose of each statement is included with each core statement.

## Auditor's Report

Auditor's Report gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

## Main Changes to the Core Statements and Significant Transactions 2018/19

The implementation of IAS9 - Financial Instruments represents the main change to the 2018/19 Accounts. A restatement of 2017/18 is also noted due to a change in departmental structure.

## Receipt of Further Information

If you would like to receive further information about these accounts, please do not hesitate to contact Mike Snow, please see Page 26 for details.

## Statement of Accounting Policies

This summarises the accounting rules and conventions that have been used in preparing these financial statements.

## Notes to the Core Financial Statements

The notes include more detail to support the information contained in the core financial statements as well as information on critical judgements and assumptions applied in the production of the accounts.



## Supplementary Statements

The Housing Revenue Account (HRA) shows the in-year economic cost of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to precepting bodies. For Warwick District, the Council Tax precepting bodies are Warwickshire County Council and the Office of the Police and Crime Commissioner for Warwickshire.

## Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from the Finance team and other services who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

Mike Snow C.P.F.A.  
Head of Finance  
Warwick District Council  
Riverside House  
Milverton Hill  
Royal Leamington Spa  
Warwickshire  
CV32 5QW

# STATEMENT OF RESPONSIBILITIES

## The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In line with statute this is the Section 151 Officer. In this Council, that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## The Section 151 Officer's Responsibilities

The Head of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code):

In preparing this Statement of Accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code of Practice.

The Head of Finance has also:

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

I certify that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2019 and its income and expenditure in the year ended 31 March 2019.

30 July 2019

Mike Snow CPFA  
Head of Finance  
Warwick District Council  
Riverside House  
Milverton Hill  
Royal Leamington Spa  
Warwickshire  
CV32 5QW

## Approval of Statement of Accounts

Statement of Accounts approved at the Warwick District Council Finance and Audit Scrutiny Committee meeting held on 30 July 2019.

Chair of the Meeting  
Councillor Nicholls

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Local Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated 2017/18			Portfolio:	Note	2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
2,079	(496)	1,583	Business (Development Service)		3,417	(701)	2,716
6,608	(1,728)	4,880	Cultural Services		10,354	(1,772)	8,582
2,546	(2,452)	94	Development Services		2,970	(2,652)	318
31,731	(29,407)	2,324	Finance		31,249	(29,026)	2,223
3,134	(639)	2,495	Health & Community Protection		3,661	(612)	3,049
2,623	(1,446)	1,177	Housing Services General Fund		3,066	(1,714)	1,352
17,878	(27,821)	(9,943)	Housing Revenue Account		20,685	(27,626)	(6,941)
11,304	(5,747)	5,557	Neighbourhood Services		10,994	(5,887)	5,107
2,653	(951)	1,702	Strategic Leadership		1,938	(346)	1,592
<b>80,556</b>	<b>(70,687)</b>	<b>9,869</b>	<b>Cost of Services - continuing operations</b>		<b>88,334</b>	<b>(70,336)</b>	<b>17,998</b>
2,374	(1,169)	1,205	Other Operating Income and Expenditure	11	2,484	(770)	1,714
6,536	(930)	5,606	Financing and Investment Income and Expenditure	12	6,691	(1,449)	5,242
-	(20,820)	(20,820)	Taxation and Non-Specific Grant Income and Expenditure	13	-	(20,962)	(20,962)
		<b>(4,140)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>3,992</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(27,610)	(Surplus) or Deficit on revaluation of Non Current Assets	24			(19,632)
		1,751	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	24			3,280
		173	Surplus or deficit on revaluation of available for sale financial assets	24			-
		(2,918)	Remeasurement of the net defined benefit liability / (asset)	24			7,500
		<b>(28,604)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(8,852)</b>
		<b>(32,744)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(4,860)</b>

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the authority, analysed into “Usable Reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “Unusable Reserves”. The Statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following these adjustments.

2017/18	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017 carried forward</b>	17,375	24,608	6,686	6,782	501	55,952	278,999	334,951
<b>Movement in reserves during 2017/18</b>								
Total Comprehensive Income and Expenditure	(2,276)	6,416	-	-	-	4,140	28,604	32,744
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 9)	3,498	(460)	1,946	2,460	(67)	7,377	(7,377)	-
<b>Increase / (Decrease) in 2017/18</b>	<b>1,222</b>	<b>5,956</b>	<b>1,946</b>	<b>2,460</b>	<b>(67)</b>	<b>11,517</b>	<b>21,227</b>	<b>32,744</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>18,597</b>	<b>30,564</b>	<b>8,632</b>	<b>9,242</b>	<b>434</b>	<b>67,469</b>	<b>300,226</b>	<b>367,695</b>

2018/19	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018 carried forward</b>	18,597	30,564	8,632	9,242	434	67,469	300,226	367,695
<b>Movement in reserves during 2018/19</b>								
Total Comprehensive Income and Expenditure	(7,250)	3,258	-	-	-	(3,992)	8,852	4,860
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 9)	9,466	(1,527)	(123)	(1,143)	438	7,111	(7,111)	-
<b>Increase / (Decrease) in 2018/19</b>	<b>2,216</b>	<b>1,731</b>	<b>(123)</b>	<b>(1,143)</b>	<b>438</b>	<b>3,119</b>	<b>1,741</b>	<b>4,860</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>20,813</b>	<b>32,295</b>	<b>8,509</b>	<b>8,099</b>	<b>872</b>	<b>70,588</b>	<b>301,967</b>	<b>372,555</b>

## BALANCE SHEET

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority are matched by reserves held by the authority. Reserves are reported in two categories: Usable and Unusable Reserves.

The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services, and includes reserves that hold unrealised gains and losses where amounts only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

The unaudited accounts were issued on 31/05/2019 and the audited accounts were issued on 30/07/2019.

31 March 2018		Note	31 March 2019
£'000			£'000
	<b>Operational Assets:</b>		
370,648	Council Dwellings		387,206
6,915	HRA Land and Buildings		7,980
71,905	Other Land and Buildings		74,391
2,321	Vehicles, Plant, Furniture and Equipment		2,735
2,030	Infrastructure Assets		2,001
6,647	Community Assets		7,638
	<b>Non-Operational Assets</b>		
299	Surplus Assets		316
2,328	Assets under Construction		429
<b>463,093</b>	<b>Property, Plant and Equipment</b>	<b>14</b>	<b>482,696</b>
8,270	Heritage Assets	15	8,315
11,000	Investment Properties	16	10,966
44	Intangible Assets	17	44
5,895	Long Term Investments	17	6,233
741	Long Term Debtors	17	6,198
<b>489,043</b>	<b>LONG TERM ASSETS</b>		<b>514,452</b>
34,697	Short Term Investments	17	35,427
122	Assets Held for Sale	18	84
11	Inventories		12
6,195	Short Term Debtors	19	7,781
40,368	Cash and Cash Equivalents	21	27,366
<b>81,393</b>	<b>CURRENT ASSETS</b>		<b>70,670</b>
(19,832)	Short Term Creditors	22	(18,052)
(1,888)	Provision Liabilities payable in less than 1 year	23	(1,471)
<b>(21,720)</b>	<b>CURRENT LIABILITIES</b>		<b>(19,523)</b>
(153)	Long Term Creditors		(153)
(2,271)	Provision Liabilities payable in more than 1 year	23	(3,318)
(136,157)	Long Term Borrowing	17	(136,157)
(63)	Other Long Term Liabilities	17	(47)
(4,254)	Capital External Grants/Contributions in Advance	33	(4,903)
(38,123)	Net Pensions Liability	38	(48,466)
<b>(181,021)</b>	<b>LONG TERM LIABILITIES</b>		<b>(193,044)</b>
<b>367,695</b>	<b>NET ASSETS</b>		<b>372,555</b>
67,469	Usable Reserves	32	70,588
300,226	Unusable Reserves	24	301,967
<b>367,695</b>	<b>TOTAL RESERVES</b>		<b>372,555</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2017/18		Notes	2018/19
£'000			£'000
(4,140)	Net (Surplus) or deficit on the provision of services		3,992
(17,140)	Adjust net (surplus) or deficit on the provision of services for non cash movements	25	(18,696)
6,432	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	25	6,675
<b>(14,848)</b>	<b>Net cash flows from Operating Activities</b>		<b>(8,029)</b>
10,761	Investing Activities	26	21,631
(523)	Financing Activities	27	(600)
<b>(4,610)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>13,002</b>
(35,758)	Cash and cash equivalents at the beginning of the reporting period		(40,368)
<b>(40,368)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(27,366)</b>

# NOTES TO THE ACCOUNTS

## 1. Accounting Policies

### General Principles

The content, layout and general rules used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2018/19 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

### Basis of Preparation

The Statement of Accounts is prepared on a “going concern” basis. This is the assumption that the Council will continue in operational existence for the foreseeable future.

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

### Accruals of Income and Expenditure

The Council's Accruals Policy was revised in 2018/19 and as such the following is applicable. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received in particular.

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date when supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de-minimis limit of £10k for non-system generated accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where system generated accruals are created when revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet, a de-minimis limit is not applicable. In a similar fashion to non-system generated accruals; where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

Exceptions to the above rule include:

- Items paid for on an annual or periodic basis (e.g. subscriptions, insurance premiums, etc.) where the accounts still show an annual equivalent cost.

- Housing benefit payments are paid every four weeks - where a payment run spans the year end it is accounted for in the year that it is included in the Government's annual Housing Benefit Subsidy claim so that income and expenditure are recorded in the same period.
- Expenditure items funded from grants and reserves.

It is not expected that these exceptions or the introduction of the de-minimis limit will be material to the overall accounting position. The new de-minimis limit will be implemented prospectively with effect from 1<sup>st</sup> April 2018.

### **Cash and Cash Equivalents**

Cash is represented by cash at bank and on-demand deposits with financial institutions. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with an insignificant risk of change in value.

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

### **Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced with the minimum revenue provision (MRP) in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Council Tax and Non-Domestic Rates**

The Council, as a billing authority, acts as an agent collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as a principal, collecting council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The council tax and NDR income in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount

## NOTES TO THE ACCOUNTS

required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **Employee Benefits**

#### Benefits Payable During Employment

The accounts reflect entitlements that have been earned by employees, such as salaries and wages, as a consequence of the service completed by them by 31 March each year even if the Council would never normally pay them, such as annual leave and time-off in lieu not taken at the year end. These are accrued for and shown in the net cost of services in the Comprehensive Income and Expenditure Statement.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are recognised immediately as an expense to the service in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer or when it recognises the cost of a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or the pensioner in the year, not the amount calculated according to the relevant accounting standards.

#### Post-Employment Benefits

Most employees of the Council are members of the Local Government Pension Scheme, administered by Warwickshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

The liabilities of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2.7% in 2017/18) at the IAS19 valuation date.

The assets of the Warwickshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

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

Service Cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Warwickshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require that the General Fund Balance is charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## NOTES TO THE ACCOUNTS

### Discretionary Benefits

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

### **Events after the Balance Sheet Date**

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

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

Events taking place after the date of final authorisation for issue in July are not reflected in the Statement of Accounts.

### **Fair Value**

#### Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments such as equity share holdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell or transfer the asset or transfer the liability takes place either:

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

The authority measures fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy as follows:

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

### Financial Instruments

#### Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For any borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

## NOTES TO THE ACCOUNTS

### Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

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

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

The fair value measurements of the financial assets are based on the following techniques:

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

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

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure in the CIES.

### Soft Loans under Financial Instruments

Any Loans made by the Council at less than market rates are called “soft loans”. It has been determined that the few soft loans that the Council has e.g. car loans to employees or loans to private householders for disabled adaptations require no adjustment to the accounts as they are de-minimis

### Government Grants and Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised in the Comprehensive Income and Expenditure Statement as income, except where the grantor contribution has conditions that have not been satisfied. General Grants and contributions (e.g. the Revenue Support Grant) are included in the Comprehensive Income and Expenditure Statement as Non-ring-fenced government grants. Specific grants and contributions are included as income for the relevant service area.

Where a grant or contribution has conditions outstanding at the Balance Sheet date the grant is held either as a receipt in advance, if not fulfilling the conditions would result in the return of the grant, or as an earmarked reserve.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. Unapplied grant is posted to the Capital Grants Unapplied Reserve; applied grant is posted to the Capital Adjustment Account.

### Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy, with the exceptions of amounts applied to meet administrative expenses in accordance with the CIL Regulations will be used to fund a number of infrastructure projects to support the development of the area (these include transport, schools and digital infrastructure). Where some or all of a chargeable development takes place in a parish area, 15% of the income is passed to the relevant parish/town council – the Council acts as an agent for these amounts.

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for Government Grants and Contributions.

### **Heritage Assets**

Heritage assets are assets that have historical, artistic, scientific, technological, geographical or environmental qualities that are held in trust for future generations because of their cultural, environmental or historical associations and contribution to knowledge and culture. They include museum collections, historic buildings and public works of art.

#### Recognition and Measurement

Heritage assets are held at fair value. High value items are valued by an appropriately qualified person. Low value items are held at an internally agreed nominal value of £50.

Heritage assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years. Increases and decreases in valuations are accounted for in accordance with the Council's policies for the revaluation of Property, Plant and Equipment as set out in the Property, Plant and Equipment section of the Accounting Policies Note.

Heritage assets that are used in the on-going delivery of the Council's services, such as parks and open space are not categorised as heritage assets, but are classified as operational assets within Property, Plant and Equipment, and are accounted for in accordance with the Council's accounting policies.

#### Depreciation, Amortisation and Impairment

Depreciation and amortisation is not required on heritage assets that are deemed to have indeterminate lives. Depreciation is charged on heritage assets with a determinate life using a straight line allocation basis over the useful life of the asset, as estimated by the valuer or a suitably qualified officer.

The carrying amount of an item is reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration, breakage or doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general accounting policies on impairment set out in these statements.

## NOTES TO THE ACCOUNTS

### Disposal

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts as set out the Council's general accounting policies in these statements.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received is credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the Council. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is

shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services using the leased asset. Charges are made on a straight-line basis over the life of the lease.

### The Council as Lessor

It has been determined that all leases where the Council is the lessor are operating leases and are accounted for as described in the following paragraph.

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Where identifiable, initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

### **Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

## NOTES TO THE ACCOUNTS

### Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

#### Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

For accounting purposes, the Council has the following de-minimis limits in relation to capital expenditure:

- On land and buildings - £20,000
- On vehicles, plant or equipment - £5,000

#### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) and Assets Under Construction depreciated historical cost.
- Housing Stock (Dwellings) – current value determined using the basis of existing use value for social housing (EUV-SH)
- Council Offices – current value, determined as the amount that would be paid for the asset in existing use (EUV)
- All other assets – current value determined as the amount that would be paid for the asset in its existing use (EUV)
- Surplus Assets – current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets i.e. vehicles, plant and equipment have short useful lives, or low values (or both), depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains may be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

### Impairment

Assets are assessed at each year end for any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council Houses – component depreciation method,

## NOTES TO THE ACCOUNTS

- Other buildings – straight line allocation over the useful life of the property as estimated by the valuers.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful asset life as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over 40 years or as appropriate to the relevant asset.
- Community Assets – Straight line allocation over a maximum life of 100 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The policy adopted is as follows:

- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be grouped together for deprecation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Any future revaluation gains and losses will be applied across components as appropriate.

### Housing Revenue Account

- Council Dwellings - Depreciation is calculated and charged in accordance with proper practices including separation of the housing stock into significant components for depreciation purposes, where the components have different useful lives to the remainder of the asset.
- Other Housing Revenue Account Assets – the approach outlined below for General Fund assets will be adopted.

### General Fund

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes. The Council applies a de-minimis threshold for componentisation purposes: all assets with a Current Net Book Value of less than £500,000 will not be assessed for componentisation on the grounds that the difference in depreciation will be limited.

### Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification at existing use value (EUV) and then carried at the lower of this amount and fair value i.e. market value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement thus calculating the gain or loss on the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of the £10,000 capital receipts de-minimis limit are categorised as capital receipts. Under the Self Financing regime receipts relating to housing disposals are shared between the Council and Government. The Council's share of the receipt is required to be credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

The Council puts amounts of money aside as a provision to meet specific service payments. For these amounts to count as provisions, they need to pass three tests:

- They must be the result of a past event;
- A reliable estimate can be made;
- There must be a clear responsibility to make this future payment because of the past event.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council becomes aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement at the Balance Sheet date. When payments are made they are charged to the provision already set up in the Balance Sheet.

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts when it is probable that there will be an inflow of economic benefits or service potential.

## NOTES TO THE ACCOUNTS

### Reserves

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

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

### Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset, e.g. Rural and Urban Initiative Grants, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### Value Added Tax (VAT)

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

### Apprenticeship Levy

From 1 April 2017, the Council has made payments to HMRC in relation to the national Apprenticeship Levy. The full cost of the Levy will be recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement when it is paid to HMRC. When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the Comprehensive Income and Expenditure Statement against the service benefiting from the training.

### Rounding

Values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

## 2. Accounting Standards that have been Issued but have not yet been adopted

At the Balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

**IAS 40 Investment Property: Transfers of Investment Property** - The amendment clarifies that transfers to/from Investment Property are only permitted if a change of use has been approved which is supported by appropriate evidence. This will have no impact as the amendment reflect existing Council procedures.

**Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation** – this amendment makes clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

**IFRS 16 Leases** - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The Council has a small number of operational leases in place which will be assessed in preparation of this new accounting treatment but it is not anticipated these changes will have a material impact on the financial statements. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

## Other Changes

The following accounting standards will be implemented in 2019/20 but are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

**IFRIC 22 Foreign Currency Transactions and Advance Consideration** – clarifies that the accounting date for transactions that include the receipt or payment of advance consideration in a foreign currency, for the purpose of determining the exchange rate, is the date of the initial recognition of the non-monetary prepayment asset or deferred income liability. The amendment will have no impact as the Council does not have any material foreign transactions.

**IFRIC 23 - Uncertainty Over Income Tax Treatments** – provides clarification on various issues surrounding the taxation of income which will have no impact on the Council's accounts.

**Annual Improvements to IFRS Standards 2014 – 2016 Cycle** - makes minor amendments, principally providing clarification, to the following accounting standards: (i) IFRS1 First Time Adoption of International Reporting Standards - short term exemptions that have now served their purpose have been deleted, (ii) IFRS12 Disclosure of Interests in Other Entities – the amendments clarify that the disclosure requirements also apply to interests in other entities that are classified as held for sale, held for distribution or as discontinued operations, (iii) IAS28 – Investments in Associates and Joint Ventures – the clarification outlines how to apply the equity method to investments in associates and joint ventures.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Uncertainty around future funding levels is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council has entered into joint ventures with PSP Warwick LLP and Waterloo Housing Association. An assessment has been undertaken of the relationship with these parties. There is a group relationship with PSP Warwick LLP but transactions during 2018/19 were not considered material for the Council so group accounts have not been prepared. Alternatively, a disclosure has been included in the Related Parties Note. There was no group relationship with Waterloo Housing Association.
- All of the Council's Investment Properties were revalued in 2018/19 and as such it is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. 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 according to our valuers Carter Jonas.

## NOTES TO THE ACCOUNTS

- The balance sheet values for the Council's housing stock and other Housing Revenue Account non-current assets, with the exception of equipment and work in progress, are based on a valuation date of 1 April 2019 as these assets are revalued every year for HRA business plan purposes. This valuation date is treated as a proxy for 31 March 2019 in order to show the latest up to date values in the balance sheet. The Council is not aware of any event, economic or otherwise that would have materially affected the 1 April 2019 valuation such as to make it inappropriate to use as a proxy for 31 March 2019.
- During 2017/18 the Council invested £6m in two Corporate Equity Funds which at 31 March 2019 were valued at £5.975m, an improvement of £0.08m over the 31 March 2018 position but still reflecting a reduction of £0.025m in the original value invested. As they are not regularly traded, the funds were valued in terms of fair value on a Level 2 basis. However, the underlying assets within the funds are regularly valued in an active market and can be considered to be valued on a Level 1 basis thereby giving reassurance as to the accuracy of the year end valuation of £5.975m. The Council has taken a long term position in relation to these funds and is not aware of any issues, financial or otherwise, that are likely to result in a long term loss of value. Previously the changes in capital value would have impacted on the General Fund but for 2018/19 and the subsequent 4 years, the movements in the capital value of both funds have been taken to the new Financial Instruments Revaluation Reserve which has been statutorily introduced in order to ensure that any changes in capital value do not impact on the General Fund.
- During 2018/19, the Council made long term loans for capital expenditure amounting to £5.527m to various organisations. Due diligence was carried out to ensure that the borrowers capacity to repay the loans plus interest in a timely manner was adequate and the Council is not aware of any subsequent or future issue, economic or otherwise, that requires the loans to be impaired.

#### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £432k for every year that the useful lives had to be reduced.</p>

Provisions	<p>The Council has made provisions for insurance cover in respect of outstanding liability claims from the public, employees and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31<sup>st</sup> March 2019 where such excesses have been negotiated when agreeing premiums.</p> <p>Following the introduction of the retention of business rates scheme new provisions have been created to provide for the potential successful appeals against rateable values.</p>	<p>An increase over the forthcoming year of 10% in settlements would have the effect of adding £77k to the provisions needed.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all Warwickshire authorities with expert advice about the assumptions to be applied.</p>	<p>The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis.</p> <p>The actuaries model thousands of possible outcomes in order to establish the long term estimates</p> <p>The Council will use information from the Pensions actuary to set the employer's pension contribution rates to ensure that pension liabilities are met.</p> <p>A sensitivity analysis upon other variables affecting the net liability is set out in the Defined Benefit Pension Schemes note.</p>
Arrears	<p>At 31<sup>st</sup> March 2019, the Council had a balance of arrears of Housing Rents, Council Tax, Business Rates and other sundry debtors of £5.12m. A review of the above suggested that an impairment of doubtful debts of 47.7% (£2.45m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.45m to be set aside as an allowance.</p>

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price supported by a professional valuation.

## 5. Events After the Reporting Period

Events taking place after the Reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue.

The Statement of Accounts will be authorised for issue by the Head of Finance on 30 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 31 March 2019 the only known event after the reporting period for the Council to disclose is potentially Brexit which is currently planned to take place in October 2019. This may impact events during the closure of accounts period, or even during the audit process and may need to be reflected in the final statements but due to the large amount of uncertainty and political turmoil currently surrounding the issue we are unable to reliably quantify any financial impact to the Council.

## NOTES TO THE ACCOUNTS

### 6. Restatement of 2017/18 notes re restructuring of portfolios

During 2018/19 the portfolio structure of the Council was changed. Consequently, the following statements and notes have been restated to show this change:

#### Restatement of the Comprehensive Income & Expenditure Statement

Restatement to 2017/18 Comprehensive Income and Expenditure Statement									
2017/18			Portfolio:	Adjustment			2017/18 Restated		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
-	-	-	Business (Development Services)	2,079	(496)	1,583	2,079	(496)	1,583
6,698	(1,719)	4,979	Cultural Services	(90)	(9)	(99)	6,608	(1,728)	4,880
-	-	-	Development Services	2,546	(2,452)	94	2,546	(2,452)	94
4,809	(3,128)	1,681	Development Services & Business	(4,809)	3,128	(1,681)	-	-	-
31,764	(29,405)	2,359	Finance	(33)	(2)	(35)	31,731	(29,407)	2,324
3,229	(668)	2,561	Health & Community Protection	(95)	29	(66)	3,134	(639)	2,495
-	-	-	Housing Services - General Fund	2,623	(1,446)	1,177	2,623	(1,446)	1,177
2,811	(1,448)	1,363	Housing & Property Services	(2,811)	1,448	(1,363)	-	-	-
17,878	(27,821)	(9,943)	Housing Revenue Account	-	-	-	17,878	(27,821)	(9,943)
11,174	(5,748)	5,426	Neighbourhood Services	130	1	131	11,304	(5,747)	5,557
2,193	(750)	1,443	Strategic Leadership	460	(201)	259	2,653	(951)	1,702
<b>80,556</b>	<b>(70,687)</b>	<b>9,869</b>	<b>Cost of Services - continuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,556</b>	<b>(70,687)</b>	<b>9,869</b>

#### Restatement of the Expenditure & Funding Analysis

	2017/18 Restated				
	As Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Portfolio:	£'000	£'000	£'000	£'000	£'000
Business (Development Services)	1,583	145	1,728	(145)	1,583
Cultural Services	4,880	(2,129)	2,751	2,129	4,880
Development Services	94	(231)	(137)	231	94
Finance	2,324	(418)	1,906	418	2,324
Health & Community Protection	2,495	(305)	2,190	305	2,495
Housing Services - General Fund	1,177	(212)	965	212	1,177
Housing Revenue Account	(9,943)	(556)	(10,499)	556	(9,943)
Neighbourhood Services	5,557	(1,519)	4,038	1,519	5,557
Strategic Leadership	1,572	(613)	959	743	1,702
<b>Net Costs of Services</b>	<b>9,739</b>	<b>(5,838)</b>	<b>3,901</b>	<b>5,968</b>	<b>9,869</b>
Other Income and Expenditure	(13,845)	2,766	(11,079)	(2,930)	(14,009)
<b>(Surplus) or Deficit</b>	<b>(4,106)</b>	<b>(3,072)</b>	<b>(7,178)</b>	<b>3,038</b>	<b>(4,140)</b>
<b>Opening General Fund and HRA Balance</b>			<b>(41,983)</b>		
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance in			(7,178)		
<b>Closing General Fund and HRA Balance at 31 March *</b>			<b>(49,161)</b>		

## Restatement of Note to the Expenditure & Funding Analysis

Audited Statements				2017/18
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	-	-	-	-
Cultural Services	(1,965)	(175)	13	(2,127)
Development Services	-	-	-	-
Development Services & Business	252	(335)	(5)	(88)
Finance	(55)	(336)	(2)	(393)
Health & Community Protection	(144)	(205)	1	(348)
Housing Services - General Fund	-	-	-	-
Housing & Property Services	(297)	(186)	131	(352)
Housing Revenue Account	(274)	(281)	(1)	(556)
Neighbourhood Services	(1,305)	(260)	(3)	(1,568)
Strategic Leadership	(92)	(313)	(1)	(406)
<b>Net Cost Of Services</b>	<b>(3,880)</b>	<b>(2,091)</b>	<b>133</b>	<b>(5,838)</b>
Other income and expenditure from the Expenditure and Funding Analysis	2,429	(1,012)	1,349	2,766
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,451)	(3,103)	1,482	(3,072)

Changed to Adjustments between Funding and Accounting Basis				2017/18
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Changes	Changes	Changes	Changes
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	253	(106)	(2)	145
Cultural Services	-	(2)	-	(2)
Development Services	(1)	(227)	(3)	(231)
Development Services & Business	(252)	335	5	88
Finance	24	(49)	-	(25)
Health & Community Protection	43	-	-	43
Housing Services - General Fund	(114)	(98)	-	(212)
Housing & Property Services	297	186	(131)	352
Housing Revenue Account	-	-	-	-
Neighbourhood Services	-	49	-	49
Strategic Leadership	(250)	(88)	131	(207)
<b>Net Cost Of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other income and expenditure from the				
Other income and expenditure from the Expenditure and Funding Analysis	-	-	-	-
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	0	0

## NOTES TO THE ACCOUNTS

Restated Adjustments between Funding and Accounting Basis				
	Restated	Restated	Restated	2017/18
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	253	(106)	(2)	145
Cultural Services	(1,965)	(177)	13	(2,129)
Development Services	(1)	(227)	(3)	(231)
Development Services & Business	-	-	-	-
Finance	(31)	(385)	(2)	(418)
Health & Community Protection	(101)	(205)	1	(305)
Housing Services - General Fund	(114)	(98)	-	(212)
Housing & Property Services	-	-	-	-
Housing Revenue Account	(274)	(281)	(1)	(556)
Neighbourhood Services	(1,305)	(211)	(3)	(1,519)
Strategic Leadership	(342)	(401)	130	(613)
<b>Net Cost Of Services</b>	<b>(3,880)</b>	<b>(2,091)</b>	<b>133</b>	<b>(5,838)</b>
Other income and expenditure from the				
Other income and expenditure from the Expenditure and Funding Analysis	2,429	(1,012)	1,349	2,766
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,451)	(3,103)	1,482	(3,072)

### Restatement of Expenditure & Funding Analysis Segmental Income Note

	Audited 2017/18	Change	Restated 2017/18
Portfolio	Income from Services	Income from Services	Income from Services
	£000	£000	£000
Business (Development Services)	-	496	496
Culture	1,719	9	1,728
Development Services	-	2,419	2,419
Development Services & Business	3,096	(3,096)	-
Finance	460	1	461
Health & Community Protection	639	-	639
Housing & Property Services	904	(904)	-
Housing Services	-	390	390
Housing Revenue Account	27,742	-	27,742
Neighbourhood	5,747	-	5,747
Strategic Leadership	401	685	1,086
<b>Total income analysed on a segmental basis</b>	<b>40,708</b>	<b>-</b>	<b>40,708</b>

## 7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE ACCOUNTS

	2018/19				
	As Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>Portfolio:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business (Development Services)	2,785	(855)	1,930	786	2,716
Cultural Services	10,105	(6,177)	3,928	4,654	8,582
Development Services	318	(208)	110	208	318
Finance	2,233	(255)	1,978	245	2,223
Health & Community Protection	3,051	(564)	2,487	562	3,049
Housing Services - General Fund	1,391	(181)	1,210	142	1,352
Housing Revenue Account	6,273	(12,435)	(6,162)	(779)	(6,941)
Neighbourhood Services	6,202	(1,319)	4,883	224	5,107
Strategic Leadership	2,442	(1,245)	1,197	395	1,592
<b>Net Costs of Services</b>	<b>34,800</b>	<b>(23,239)</b>	<b>11,561</b>	<b>6,437</b>	<b>17,998</b>
Other Income and Expenditure	(14,126)	(1,382)	(15,508)	1,502	(14,006)
<b>(Surplus) or Deficit</b>	<b>20,674</b>	<b>(24,621)</b>	<b>(3,947)</b>	<b>7,939</b>	<b>3,992</b>

<b>Opening General Fund and HRA Balance</b>	<b>(49,161)</b>
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance	(3,947)
<b>Closing General Fund and HRA Balance at 31 March *</b>	<b>(53,108)</b>

	2017/18 Restated				
	As Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>Portfolio:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business (Development Services)	1,583	145	1,728	(145)	1,583
Cultural Services	4,880	(2,129)	2,751	2,129	4,880
Development Services	94	(231)	(137)	231	94
Finance	2,324	(418)	1,906	418	2,324
Health & Community Protection	2,495	(305)	2,190	305	2,495
Housing Services - General Fund	1,177	(212)	965	212	1,177
Housing Revenue Account	(9,943)	(556)	(10,499)	556	(9,943)
Neighbourhood Services	5,557	(1,519)	4,038	1,519	5,557
Strategic Leadership	1,572	(613)	959	743	1,702
<b>Net Costs of Services</b>	<b>9,739</b>	<b>(5,838)</b>	<b>3,901</b>	<b>5,968</b>	<b>9,869</b>
Other Income and Expenditure	(13,845)	2,766	(11,079)	(2,930)	(14,009)
<b>(Surplus) or Deficit</b>	<b>(4,106)</b>	<b>(3,072)</b>	<b>(7,178)</b>	<b>3,038</b>	<b>(4,140)</b>

<b>Opening General Fund and HRA Balance</b>	<b>(41,983)</b>
Less / Plus Surplus / (Deficit) on General Fund and HRA Balance	(7,178)
<b>Closing General Fund and HRA Balance at 31 March *</b>	<b>(49,161)</b>

\* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

## NOTES TO THE ACCOUNTS

### Note to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis				
				2018/19
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	(745)	(107)	(3)	(855)
Cultural Services	(6,017)	(157)	(3)	(6,177)
Development Services	-	(207)	(1)	(208)
Finance	(41)	(214)	-	(255)
Health & Community Protection	(356)	(205)	(3)	(564)
Housing Services - General Fund	(92)	(88)	(1)	(181)
Housing Revenue Account	(12,188)	(244)	(3)	(12,435)
Neighbourhood Services	(1,097)	(217)	(5)	(1,319)
Strategic Leadership	(893)	(351)	(1)	(1,245)
<b>Net Cost Of Services</b>	<b>(21,429)</b>	<b>(1,790)</b>	<b>(20)</b>	<b>(23,239)</b>
Other income and expenditure from the Expenditure and Funding Analysis	1,535	(1,053)	(1,864)	(1,382)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(19,894)</b>	<b>(2,843)</b>	<b>(1,884)</b>	<b>(24,621)</b>

Adjustments between Funding and Accounting Basis				
				2017/18 Restated
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	253	(106)	(2)	145
Cultural Services	(1,965)	(177)	13	(2,129)
Development Services	(1)	(227)	(3)	(231)
Finance	(31)	(385)	(2)	(418)
Health & Community Protection	(101)	(205)	1	(305)
Housing Services - General Fund	(114)	(98)	-	(212)
Housing Revenue Account	(274)	(281)	(1)	(556)
Neighbourhood Services	(1,305)	(211)	(3)	(1,519)
Strategic Leadership	(342)	(401)	130	(613)
<b>Net Cost Of Services</b>	<b>(3,880)</b>	<b>(2,091)</b>	<b>133</b>	<b>(5,838)</b>
Other income and expenditure from the Expenditure and Funding Analysis	2,429	(1,012)	1,349	2,766
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(1,451)</b>	<b>(3,103)</b>	<b>1,482</b>	<b>(3,072)</b>

## Adjustments for Capital Purposes

- 1 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 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:

	2018/19	Restated 2017/18
Portfolio	Income from Services	Income from Services
	£000	£000
Business (Development Services)	594	496
Cultural Services	1,772	1,728
Development Services	2,652	2,419
Finance	580	461
Health & Community Protection	577	639
Housing Services - General Fund	346	390
Housing Revenue Account	27,448	27,742
Neighbourhood Services	5,886	5,747
Strategic Leadership	851	1,086
<b>Total income analysed on a segmental basis</b>	<b>40,706</b>	<b>40,708</b>

### 8. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2018/19	2017/18
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	19,889	19,404
Other services expenses	54,567	51,867
Depreciation, amortisation and impairment	15,798	11,140
Interest payments	4,770	4,717
Precepts and Levies	1,523	1,413
Payments to Housing Capital Receipts Pool	961	961
<b>Total Expenditure</b>	<b>97,508</b>	<b>89,502</b>
<b>Income</b>		
Fees, charges and other service income	(40,706)	(40,708)
Gain on the disposal of assets	(770)	(1,169)
Interest and investment income	(937)	(418)
Income from Council Tax and Business Rates	(14,235)	(13,484)
Government grants and contributions	(36,868)	(37,863)
<b>Total Income</b>	<b>(93,516)</b>	<b>(93,642)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>3,992</b>	<b>(4,140)</b>

## Revenue from Contracts with Service Recipients

The Council recognises its revenue from service recipients in line with IFRS15 Revenue from Contracts with Customers (Service Recipients). A service recipient is a party that has contracted with an authority to obtain goods or services that are an output of the Authorities normal operating activities in exchange for consideration (Revenue).

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

	2018/19	2017/18
	£000	£000
Receivables which are included in debtors (Note 20)	4,187	3,354
Contract Assets	(1,252)	(1,867)
Contract Liabilities	(530)	(729)
<b>Total Included in Net Assets</b>	<b>2,405</b>	<b>758</b>

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
	Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
Contract assets and liabilities at the beginning of the year	2,030	(582)	1,487	(729)
Increases (decreases) due to cash received (paid)	(1,997)	582	(1,370)	729
Transfers from contract assets (liabilities) recognised at the beginning of the period to receivables (payables)	33	-	117	-
Changes as a result of changes in the measure of progress	1,454	(729)	2,818	(530)
<b>Contract assets and liabilities at the end of the year</b>	<b>1,487</b>	<b>(729)</b>	<b>2,935</b>	<b>(530)</b>

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

	2018/19	2017/18
	£000	£000
Not later than one year	(530)	(729)
<b>Amounts of transaction price, partially or fully unsatisfied</b>	<b>(530)</b>	<b>(729)</b>

## 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 for 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. 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 that 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 there are no conditions or 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.

2018/19	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
■ Pensions costs (transferred to (or from) the Pensions Reserve)	(2,455)	(388)			
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(1,664)	-			
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(18)	(2)			
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	(200)				
■ 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)	(6,626)	(3,009)			
<b>Total Adjustments to the Revenue Account</b>	<b>(10,963)</b>	<b>(3,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	129	2,522	(2,651)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(961)		961		
Posting of HRA resources from Revenue to the Major Repairs Reserve				(6,616)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,891	2,404	-	-	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,059</b>	<b>4,926</b>	<b>(1,690)</b>	<b>(6,616)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			1,813		
Use of the Major Repairs Reserve to finance capital expenditure				7,759	
Application of capital grants unapplied credited to the CIES	438				(438)
<b>Total Adjustments to Capital Resources</b>	<b>438</b>	<b>-</b>	<b>1,813</b>	<b>7,759</b>	<b>(438)</b>
<b>Total Adjustments</b>	<b>(9,466)</b>	<b>1,527</b>	<b>123</b>	<b>1,143</b>	<b>(438)</b>

## NOTES TO THE ACCOUNTS

2017/18	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
■ Pensions costs (transferred to (or from) the Pensions Reserve)	(2,686)	(417)	-	-	-
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,385	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	3	(1)	-	-	-
■ 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)	(2,084)	(2,331)	-	-	-
<b>Total Adjustments to the Revenue Account</b>	<b>(3,382)</b>	<b>(2,749)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	17	3,635	(3,652)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(961)	-	961	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	-	-	(6,511)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	828	(426)	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(116)</b>	<b>3,209</b>	<b>(2,691)</b>	<b>(6,511)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	745	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,051	-
Application of capital grants to finance capital expenditure	-	-	-	-	67
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>745</b>	<b>4,051</b>	<b>67</b>
<b>Total Adjustments</b>	<b>(3,498)</b>	<b>460</b>	<b>(1,946)</b>	<b>(2,460)</b>	<b>67</b>

### 10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19:

## NOTES TO THE ACCOUNTS

	Balance at	Transfers Out	Transfers In	Balance at	Transfers Out	Transfers In	Balance at
	1 April 2017	2017/18	2017/18	31 March 2018	2018/19	2018/19	31/03/2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
Art Fund Reserve	71	-	4	75	(77)	2	-
Art Gallery Gift Reserve	57	-	-	57	-	72	129
Building Control Reserve	229	(90)	-	139	(17)	57	179
Business Rate Retention Volatility Reserve	445	(306)	750	889	(234)	3,881	4,536
Capital Investment Reserve	1,833	(891)	307	1,249	(303)	260	1,206
Car Park Displacement Reserve	-	-	100	100	(296)	800	604
Car Parks Repairs & Maintenance Reserve	790	(214)	156	732	(388)	39	383
Cemetery Land Purchase Reserve	3	-	13	16	-	-	16
Commonwealth Games Reserve	-	-	-	-	(59)	100	41
Community Forums Reserve	71	(38)	-	33	(26)	14	21
Community Projects Reserve	-	(241)	868	627	(769)	1,966	1,824
Corporate Assets Reserve	2,379	-	-	2,379	(362)	112	2,129
Covent Garden Multi Storey Reserve	900	-	-	900	-	-	900
Digital by Default Reserve	-	-	-	-	-	114	114
Earmarked Balances Reserve	288	(288)	799	799	(799)	1,606	1,606
Election Expenses Reserve	45	-	30	75	-	30	105
Energy Management Reserve	108	-	4	112	(112)	-	-
Enterprise Projects Reserve	82	-	27	109	(3)	64	170
Equipment Renewals Reserve	782	(54)	-	728	(107)	-	621
G M Commuted Sums Reserve	548	(63)	-	485	(78)	13	420
GF Early Retirements Reserve	33	(69)	200	164	(79)	-	85
Harbury Lane Reserve	-	-	84	84	-	-	84
Hill Close Gardens Reserve	60	(20)	-	40	(20)	-	20
Homelessness Prevention Reserve	-	-	267	267	(109)	364	522
ICT Replacement Reserve	507	(147)	-	360	(292)	8	76
Insurance Reserve	292	(3)	-	289	(15)	-	274
Investment Volatility Reserve	-	-	100	100	-	-	100
Leisure Options Reserve	2,057	(967)	400	1,490	(1,427)	-	63
Local Plan Delivery Reserve	149	-	-	149	(137)	-	12
Planning Investment Reserve	-	-	40	40	(157)	294	177
Planning Appeal Reserve	470	(142)	81	409	(74)	149	484
Public Amenity Reserve	539	(195)	-	344	(7)	-	337
Public Open Space Planning Gain Reserve	958	(298)	79	739	(283)	17	473
Rent Bond Scheme Reserve	22	-	-	22	(22)	-	-
Revenue Grants / Contributions Received in Advance	720	(70)	63	713	(65)	116	764
Right to Bid Reserve	20	-	-	20	(20)	-	-
Right to Challenge Reserve	26	-	-	26	(26)	-	-
Riverside House Maintenance Reserve	30	-	-	30	(19)	-	11
Services Transformation Reserve	1,223	(322)	153	1,054	(773)	-	281
Tourism Reserve	39	(10)	-	29	(2)	-	27
<b>TOTAL GENERAL FUND</b>	<b>15,776</b>	<b>(4,428)</b>	<b>4,525</b>	<b>15,873</b>	<b>(7,157)</b>	<b>10,078</b>	<b>18,794</b>
<b>HRA:</b>							
HRA Capital Investment Reserve	22,932	-	6,159	29,091	(2,326)	3,999	30,764
HRA Early Retirements Reserve	102	(95)	20	27	(26)	20	21
HRA Rev Grants/Contribs In Advance Reserve	10	-	-	10	-	-	10
HRA Earmarked Reserves	164	(164)	11	11	(11)	-	-
HRA Rough Sleeping Initiative	-	-	-	-	-	46	46
<b>TOTAL HRA</b>	<b>23,208</b>	<b>(259)</b>	<b>6,190</b>	<b>29,139</b>	<b>(2,363)</b>	<b>4,065</b>	<b>30,841</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>38,984</b>	<b>(4,687)</b>	<b>10,715</b>	<b>45,012</b>	<b>(9,520)</b>	<b>14,143</b>	<b>49,635</b>

## NOTES TO THE ACCOUNTS

The purpose of the significant earmarked reserves is:

**Business Rates Volatility Reserve:** Used to provide finance for “smoothing out” future retained Business Rate revenues.

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

**Community Projects Reserve:** This reserve provides finance for various District wide community projects.

**Earmarked Balances Reserve:** This reserve contains unspent budgets relating to specific items which require to be transferred from 2018/19 to 2019/20 due to unavoidable delays etc.

**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.

**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	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
1,413	-	1,413	Parish Council Precepts	1,523	-	1,523
961	-	961	Payments to Govt. Housing Capital Receipts Pool	961	-	961
-	(1,169)	(1,169)	(Gain) or loss on the disposal of non-current assets	-	(770)	(770)
<b>2,374</b>	<b>(1,169)</b>	<b>1,205</b>	<b>Total</b>	<b>2,484</b>	<b>(770)</b>	<b>1,714</b>

### 12. Financing and Investment Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
4,717	-	4,717	Interest Payable and similar charges	4,769	-	4,769
1,012	-	1,012	Net Interest on the net defined benefit liability	1,053	-	1,053
-	(418)	(418)	Interest receivable and similar income	-	(937)	(937)
807	(512)	295	Income and expenditure in relation to investment properties and changes in their fair value	669	(512)	157
-	-	-	Financial Instrument Revaluations Income / Expenditure	200	-	200
<b>6,536</b>	<b>(930)</b>	<b>5,606</b>	<b>Total</b>	<b>6,691</b>	<b>(1,449)</b>	<b>5,242</b>

### 13. Taxation and Non Specific Grant Income and Expenditure

Gross Income		Gross Income
2017/18		2018/19
£'000		£'000
(9,736)	Council Tax income	(10,259)
(4,659)	Non-ringfenced Government Grants	(4,931)
(3,748)	Non-domestic rates income and expenditure	(3,977)
(2,677)	Capital Grants and Contributions	(1,795)
<b>(20,820)</b>	<b>Total</b>	<b>(20,962)</b>

### 14. Property, Plant and Equipment

Movements on Balances								
Movements in 2018/19	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
<b>Cost or valuation</b>								
At 1 April 2018	370,648	83,270	9,523	2,405	7,124	643	2,328	<b>475,941</b>
Additions	8,626	9,287	811	32	1,038	-	422	<b>20,216</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	10,093	(1,623)	-	-	-	(25)	-	<b>8,445</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(336)	(6,238)	-	-	-	11	-	<b>(6,563)</b>
Derecognition - disposals	(1,741)	-	-	-	-	-	-	<b>(1,741)</b>
Assets reclassified (to) / from Other Accounts	(84)	2,316	-	-	-	-	(2,316)	<b>(84)</b>
<b>At 31 March 2019</b>	<b>387,206</b>	<b>87,012</b>	<b>10,334</b>	<b>2,437</b>	<b>8,162</b>	<b>629</b>	<b>434</b>	<b>496,214</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2018	-	(4,450)	(7,202)	(375)	(477)	(344)	-	<b>(12,848)</b>
Depreciation charge for 2018/19	(6,046)	(2,693)	(389)	(61)	(47)	(43)	-	<b>(9,279)</b>
Depreciation written out to the Revaluation Reserve	5,934	1,897	-	-	-	74	-	<b>7,905</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	112	605	-	-	-	-	-	<b>717</b>
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	(8)	-	-	-	(5)	<b>(13)</b>
<b>At 31 March 2019</b>	<b>-</b>	<b>(4,641)</b>	<b>(7,599)</b>	<b>(436)</b>	<b>(524)</b>	<b>(313)</b>	<b>(5)</b>	<b>(13,518)</b>
<b>Net Book Value</b>								
<b>31 March 2019</b>	<b>387,206</b>	<b>82,371</b>	<b>2,735</b>	<b>2,001</b>	<b>7,638</b>	<b>316</b>	<b>429</b>	<b>482,696</b>
<b>31 March 2018</b>	<b>370,648</b>	<b>78,820</b>	<b>2,321</b>	<b>2,030</b>	<b>6,647</b>	<b>299</b>	<b>2,328</b>	<b>463,093</b>

## NOTES TO THE ACCOUNTS

<b>Movements on Balances</b>								
Movements in 2017/18	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
<b>Cost or valuation</b>								
At 1 April 2017	351,171	70,795	8,852	2,405	7,151	622	3,107	<b>444,103</b>
Additions	3,422	1	652	-	(27)	-	11,094	<b>15,142</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	18,447	661	-	-	-	25	-	<b>19,133</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	42	-	-	-	-	3	-	<b>45</b>
Derecognition - disposals	(2,336)	(49)	-	-	-	-	-	<b>(2,385)</b>
Assets reclassified (to) / from Other Accounts	(98)	11,862	19	-	-	(7)	(11,873)	<b>(97)</b>
<b>At 31 March 2018</b>	<b>370,648</b>	<b>83,270</b>	<b>9,523</b>	<b>2,405</b>	<b>7,124</b>	<b>643</b>	<b>2,328</b>	<b>475,941</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	-	(1,295)	(6,735)	(314)	(430)	(310)	-	<b>(9,084)</b>
Depreciation charge for 2017/18	(6,038)	(2,499)	(467)	(61)	(47)	(34)	-	<b>(9,146)</b>
Depreciation written out to the Revaluation Reserve	5,926	2,061	-	-	-	-	-	<b>7,987</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	112	210	-	-	-	-	-	<b>322</b>
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(1,262)	-	-	-	-	-	<b>(1,262)</b>
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(1,665)	-	-	-	-	-	<b>(1,665)</b>
<b>At 31 March 2018</b>	<b>-</b>	<b>(4,450)</b>	<b>(7,202)</b>	<b>(375)</b>	<b>(477)</b>	<b>(344)</b>	<b>-</b>	<b>(12,848)</b>
<b>Net Book Value</b>								
<b>31 March 2018</b>	<b>370,648</b>	<b>78,820</b>	<b>2,321</b>	<b>2,030</b>	<b>6,647</b>	<b>299</b>	<b>2,328</b>	<b>463,093</b>
<b>31 March 2017</b>	<b>351,171</b>	<b>69,500</b>	<b>2,117</b>	<b>2,091</b>	<b>6,721</b>	<b>312</b>	<b>3,107</b>	<b>435,019</b>

### Depreciation

The following useful lives have been used in the depreciation calculations:

- Council houses - up to 60 years
- Other land and buildings - 5 to 80 years
- Vehicles, plant, furniture and equipment - 3 to 21 years
- Infrastructure - 40 years
- Community Assets – up to 100 years

### Capital Commitments and Planned Works 2018/19

As at 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years. The major commitments are:

	£'000
<b>General Fund:</b>	
CCTV replacement system	1,000
Whitnash Community Hub	996
Play Area Improvement Programme	996
Leisure Centre Refurb Phase 2- Kenilworth	550
St Mary's Lands Masterplan Cycleway	452
Leamington Parking Displacement	420
Kenilworth Wardens Relocation	400
Kenilworth School Loan	379
2nd Warwick Sea Scouts' Headquarters	200
Norton Lindsey New Village Hall	190
Rural & Urban Initiatives	150
Parking Machine Upgrade	124
St John's Flood Alleviation	100
Warwick Town Wall	100
<b>Housing Investment Programme:</b>	
Housing New Build / Reprovision	15,445
Council House Improvements / Renewal	6,776
Fire Safety in High-Rise Blocks	875

### Revaluations

The council carries out a rolling programme that ensures that all property, plant and equipment that is required to be measured at current value is revalued at least every five years to ensure that carrying value does not differ significantly from that of the current value at the end of the reporting period.

Non-operational Surplus Property assets are measured at fair value in accordance with IFRS13, and analysed by fair value hierarchy as per the below table:

As at 31 <sup>st</sup> March 2019	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	316	79	237	Direct observation of transactions involving similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>316</b>	<b>79</b>	<b>237</b>	
As at 31 <sup>st</sup> March 2018	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	299	68	231	Direct observation of transactions involving similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>299</b>	<b>68</b>	<b>231</b>	

All property valuations were undertaken by Carter Jonas LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## NOTES TO THE ACCOUNTS

General Fund property values in the Balance Sheet are based on 1 April 2015, 1 April 2016, 1 April 2017, 1 April 2018 or 31 March 2019 valuations. Housing Revenue Account property values are based on 1 April 2019 valuations.

The table below analyses all property, plant and equipment by valuation date:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, etc.	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	2,688	2,001	7,638	-	429	12,757
Valued at fair value as at:								
- 2018/19	387,206	66,461	-	-	-	323	-	453,990
- 2017/18	-	12,351	-	-	-	-	-	12,351
- 2016/17	-	2,825	-	-	-	(7)	-	2,818
- 2015/16	-	733	-	-	-	-	-	733
<b>Total Cost or Valuation</b>	<b>387,206</b>	<b>82,371</b>	<b>2,688</b>	<b>2,001</b>	<b>7,638</b>	<b>316</b>	<b>429</b>	<b>482,649</b>

It should be noted that the total figure in the table on the previous page does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £47k. This difference relates to the balance outstanding at 31 March 2019 on the Colour Copier and Dog Wardens Van Finance leases which is not included in the table above.

### 15. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from property, plant, and equipment.

The Leamington Spa Art Gallery & Museum at the Royal Pump Rooms has a collection of over 11,000 objects. The heritage assets held by the Council have been categorised as follows:

- Decorative Arts Collection
- Visual Arts Collections
- Other Heritage Assets

#### **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. 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 2018/19, items amounting to £18,972 have been added to the Museum collection, all of which were of low intrinsic value. Items amounting to £29,268

have been added to the Fine Art Collection which includes a painting valued at £9,000 and a sculpture at £6,000.

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

Council policy on acquisitions, disposals, preservation and management are set out in the published Collections Development Policy which the Council reviews every five years. This is a requirement of the national accreditation scheme for museums which is managed by the Arts Council. Copies of this policy is available on the Council's website.

Full details of all artefacts in the various collections can be found by visiting the Leamington Spa Art Gallery & Museum's Collections website and also through Windows on Warwickshire website.

Reconciliation of the Carrying Value of Heritage Assets held by the Authority:

	<b>Decorative Arts Collection</b>	<b>Visual Arts Collection</b>	<b>Other</b>	<b>Heritage Assets Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>				
At 01/04/2018	331	6,923	1,017	8,271
Additions	1	25	18	44
Other Movements in Cost or Valuation	-	4	-	4
Depreciation	-	-	(4)	(4)
<b>At 31/03/2019</b>	<b>332</b>	<b>6,952</b>	<b>1,031</b>	<b>8,315</b>
At 01/04/2017	331	6,923	1,017	8,271
Additions	-	-	2	2
Depreciation	-	-	(3)	(3)
<b>At 31/03/2018</b>	<b>331</b>	<b>6,923</b>	<b>1,016</b>	<b>8,270</b>

A summary of Heritage Assets transactions is shown below:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of Acquisitions of Heritage Assets:</b>		
<b>Purchases:</b>		
Visual Arts	8	-
Social History	2	1
<b>Donations:</b>		
Decorative Arts	1	-
Visual Arts	17	-
Social History etc.	15	1
<b>Total cost of Acquisitions</b>	<b>43</b>	<b>2</b>
<b>Revaluation of Heritage Assets:</b>		
Visual Arts	4	-
<b>Total Revaluations</b>	<b>4</b>	<b>-</b>

## NOTES TO THE ACCOUNTS

### 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:

	2018/19	2017/18
	£'000	£'000
Rental income from investment property	512	512
Direct operating expenses arising from investment property	(635)	(382)
<b>Net gain / (loss)</b>	<b>(123)</b>	<b>130</b>

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

	2018/19	2017/18
	£'000	£'000
<b>Balance at start of the year</b>	11,000	11,425
Net gains / (losses) from fair value adjustments	(34)	(425)
<b>Balance at end of year</b>	<b>10,966</b>	<b>11,000</b>

All of the Council's Investment Properties are revalued annually by Carter Jonas LLP.

#### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

As at 31 <sup>st</sup> March 2019	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	Direct observation of the passing rents on similar properties within the local property market.
2 - inputs other than quoted market prices	10,966	2,637	8,329	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>10,966</b>	<b>2,637</b>	<b>8,329</b>	

As at 31 <sup>st</sup> March 2018	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	Direct observation of the passing rents on similar properties within the local property market.
2 - inputs other than quoted market prices	11,000	2,852	8,148	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>11,000</b>	<b>2,852</b>	<b>8,148</b>	

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

## 17. Financial Instruments

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

Financial Assets	Non Current				Current				TOTAL	
	Investments		Debtors		Investments		Debtors		TOTAL	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit and loss	6,233	6,400	-	-	31,959	45,253	-	-	38,192	51,653
Amortised cost	3,017	-	6,071	741	27,795	30,979	8,306	7,118	45,189	38,838
<b>Total</b>	<b>9,250</b>	<b>6,400</b>	<b>6,071</b>	<b>741</b>	<b>59,754</b>	<b>76,232</b>	<b>8,306</b>	<b>7,118</b>	<b>83,381</b>	<b>90,491</b>

Financial Liabilities	Non Current				Current				TOTAL	
	Borrowings		Creditors		Borrowings		Creditors		TOTAL	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(136,201)	(136,217)	-	-	(3)	(3)	(16,227)	(14,724)	(152,431)	(150,944)
<b>Total Financial Liabilities</b>	<b>(136,201)</b>	<b>(136,217)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>(3)</b>	<b>(16,227)</b>	<b>(14,724)</b>	<b>(152,431)</b>	<b>(150,944)</b>

### Financial Instruments Designated at Fair Value Through Profit or Loss

The Council has no financial liabilities designated as Fair Value Through Profit and Loss but the table below lists below the Council's financial assets designated as Fair Value Through Profit and Loss at 31st March 2019 together with the maximum exposure and potential change in fair value associated with the credit risk relevant to the particular asset. With regard to the two equity funds it is considered that current market prices are an appropriate reflection of credit risk hence no potential change in fair value is shown. No derivatives have been entered into in order to mitigate any potential losses through credit risk.

## NOTES TO THE ACCOUNTS

FINANCIAL INSTRUMENTS THROUGH PROFIT AND LOSS					
Asset	Rating	Exposure at 31 March 2019 £000	Maximum Exposure £000	Credit Default Risk	Maximum potential change in fair value through credit risk £000
Federated Money LVNAV Market Fund	AAAm / Aaa-mf/AAAmmf	5,000	10,000	0.04%	4
Federated Cash Plus VNAV Account	AAAf S1 / Aaa-bf/ AAA/V1	6,000	6,000	0.04%	2
Deutsche Global LVNAV MMF	AAAm / Aaa-mf/AAAmmf	0	10,000	0.04%	4
Aberdeen/Standard Life (Ignis) LVNAV Money Market Fund	AAAm / Aaa-mf/AAAmmf	8,345	10,000	0.04%	4
Goldman Sachs LVNAV Money Market Fund	AAAm / Aaa-mf/AAAmmf	0	10,000	0.04%	4
Royal London Cash Plus VNAV Money Market Fund	AAAf S1 / Aaa-bf/ AAA/V1	6,000	6,000	0.04%	2
Invesco LVNAV Money Market Fund	AAAm / Aaa-mf/AAAmmf	0	10,000	0.04%	4
Royal London Equity Income Fund	Low Risk	3,066	4,000	N/A	-
Threadneedle Equity Income Fund	Low Risk	2,909	4,000	N/A	-
Metropolitan Life Global Funding Floating Rate Note	AA-	1,000	7,000	0.05%	4
GE Capital UK Funding Bond	A	2,052	4,000	0.02%	1
Toronto Dominion CD	AA-	2,000	8,000	0.02%	2
Standard Chartered CD	A+	1,500	7,000	0.05%	4
<b>Total</b>					<b>34</b>

The above disclosures have been prepared using a variety of sources including credit ratings and historic default rates supplies through Link Asset Services, the Council's Treasury Management Advisors.

### Income, Expense, Gains and Losses

	31 March 2019 Surplus or Deficit on the Provision of Services £'000	31 March 2019 Other Comprehensive Income and Expenditure £'000	31 March 2018 Surplus or Deficit on the Provision of Services £'000	31 March 2018 Other Comprehensive Income and Expenditure £'000
<b>Net gains / losses on:</b>				
Financial assets at fair value through profit and loss	(200)		(173)	
<b>Total net gains or losses</b>	<b>(200)</b>	<b>-</b>	<b>(173)</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	605		340	
Other financial assets measured at fair value through profit or loss	320		78	
<b>Total interest revenue</b>	<b>925</b>	<b>-</b>	<b>418</b>	<b>-</b>
<b>Interest expense</b>				
<b>Fee expense:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	(4,769)		(4,717)	
Trust and other fiduciary activities	-		-	
<b>Total fee expense</b>	<b>(4,769)</b>	<b>-</b>	<b>(4,717)</b>	<b>-</b>

## Fair Values of Assets and Liabilities

The majority of the Council's financial assets and all of its financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments using the following assumptions:

- For investments the prevailing benchmark market rates have been used to provide fair value
- 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 debtors and creditors is taken to be the invoiced or billed amount.

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input Level in Fair Value Hierarchy	Valuation Techniques Used to Measure Fair Value	As at 31/3/2019 £'000's	As at 31/3/2018 (Restated) £'000's
<b>Financial Assets - Fair Value through Profit and Loss</b>				
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	6,234	5,895
Money Market Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	25,615	35,122
Certificates of Deposit, Bonds, etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	6,344	10,636

Non-current Investments of £9.252m in the Balance Sheet comprise of £6.344m corporate equity funds as shown in the table above, and £3.017m simple deposit at amortised cost.

Current investments of £59.753m are made up of £25.615m of money market funds and £6.344m of certificates of deposit, bond and fixed rate notice investments, as shown in the table above, as well as £27.795m simple deposits at amortised cost.

Based on information received from the respective equity fund managers, two Corporate Equity Funds (Royal London Asset Management and Columbia Threadneedle) are on a Level 2 basis; this view has been confirmed by Link Asset Services, the Council's Treasury Management consultants. The rationale for considering that both funds are on a Level 2 basis is that whilst the underlying individual investments within the funds are regularly traded within an active market and thus could be considered to be Level 1, the fund themselves are not. Rather the funds are priced by the fund managers who use the prices of the underlying individual investments to determine a unit price for the fund itself.

Based on information supplied by the fund managers when appointed in March 2017 with regard to the qualifications, experience and proven track records of the staff managing the Council's respective funds, the Council is satisfied that the funds are professionally managed and the valuations are accurate.

The Council's certificate of deposit and corporate bond investments have been revalued in the accounts to fair value at 31 March 2019 using prices supplied by its custodians, King & Shaxson Ltd., at 31 March 2019. As these prices directly relate to these investments within an active market it is considered that the prices supplied by King & Shaxson (which is the "mid-price" at 31 March for each individual investment) are on a Level 1 basis.

## NOTES TO THE ACCOUNTS

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 28 March 2012, in order to fulfil its obligations under the new HRA self-financing regime. Although PWLB non-current 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 IFRS 13 requires that the fair value should be calculated using two different interest rates - the PWLB redemption rate and the PWLB certainty rate. The Council's Treasury Management consultants, Link Asset Services, has calculated the required fair values of these PWLB loans at 31 March using the PWLB redemption rate and these are £224,459,904. The difference between this figure and the £136,157,000 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 £136,157,000 is £176,168,963 including potential premiums of £40,011,963. 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 Link 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".

Except for the financial assets carried at fair value described in the table on the previous page, all other financial assets and liabilities held by the Council are carried in the Balance Sheet at amortised cost.

The Fair Values are calculated as follows:

Financial Assets	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short-term investments	27,795	27,795	30,979	30,979
Long-term investments	3,017	3,017	-	-
Short-term debtors	8,306	8,306	7,118	7,118
Long-term debtor	6,071	6,071	741	741
<b>Total Financial Assets</b>	<b>45,189</b>	<b>45,189</b>	<b>38,838</b>	<b>38,838</b>

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	(136,157)	(179,169)	(136,157)	(175,830)
Short-term creditors	(16,227)	(16,227)	(14,724)	(14,724)
Short-term finance lease liability	(3)	(3)	(3)	(3)
Long-term finance lease liability	(44)	(44)	(60)	(60)
<b>Total Financial Liabilities</b>	<b>(152,431)</b>	<b>(195,443)</b>	<b>(150,944)</b>	<b>(190,617)</b>

### 18. Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

	2018/19	2017/18
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>122</b>	122
Assets newly classified as held for sale:		
- Property, Plant and Equipment	84	98
Revaluation gains	-	24
Assets sold	(122)	(122)
<b>Balance outstanding at year-end</b>	<b>84</b>	<b>122</b>

### 19. Debtors

Debtors are amounts due to the Council. The presentation of the 2017/18 figures has been updated to reflect the new Code requirements for the presentation of Debtors.

	31 March 2019	31 March 2018
	£'000	£'000
Trade receivables	2,935	1,487
Prepayments	201	825
Other receivable amounts :-		
External funding	723	264
VAT	1,118	527
Business rates/Council Tax etc	2,803	3,091
Investments	1	1
<b>Total Debtors</b>	<b>7,781</b>	<b>6,195</b>

### 20. Debtors for Local Taxation

The Past due but not impaired amount for Local Taxation (Council Tax & non-domestic Rates) can be analysed by age as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Less than three months	2,963	3,189
Three to six months	757	563
Six months to one year	744	698
More than one year	844	556
<b>Total Debtors</b>	<b>5,308</b>	<b>5,006</b>

### 21. Cash and Cash Equivalents

The Balance of the Council's Cash and Cash Equivalents is made up of the following elements:

	31 March 2019	31 March 2018
	£'000	£'000
Cash held by the Council	5	5
Bank current accounts	412	(839)
Money Market deposits	26,949	41,202
<b>Total Cash and Cash Equivalents</b>	<b>27,366</b>	<b>40,368</b>

## NOTES TO THE ACCOUNTS

### 22. Creditors

Creditors are amounts owed to others by the Council. The presentation of the 2017/18 figures has been updated to reflect the new Code requirements for the presentation of Creditors.

	31 March 2019	31 March 2018
	£'000	£'000
Trade payables	(8,228)	(7,102)
Other payable amounts :-		
External Funding	(680)	(477)
Business Rates, Council tax etc	(9,141)	(12,253)
Investments	(3)	-
<b>Total Creditors</b>	<b>(18,052)</b>	<b>(19,832)</b>

### 23. Provisions

Provisional Liabilities Payable in More Than One Year	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2018</b>	1,823	246	202	2,271
Additional provisions made in 2018/19	997	-	86	1,083
Unused amounts reversed in 2018/19	-	(11)	-	(11)
Amounts payable < 1 year transferred to short term provision	-	(12)	(13)	(25)
<b>Balance at 31 March 2019</b>	<b>2,820</b>	<b>223</b>	<b>275</b>	<b>3,318</b>

Provisional Liabilities Payable in Less Than One Year	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2018</b>	<b>1,800</b>	<b>38</b>	<b>50</b>	<b>1,888</b>
Additional provisions made in 2018/19	1,493	-	-	1,493
Amounts used in 2018/19	(1,893)	(17)	(25)	(1,935)
Amounts payable < 1 year transferred from long term provision	-	12	13	25
<b>Balance at 31 March 2019</b>	<b>1,400</b>	<b>33</b>	<b>38</b>	<b>1,471</b>

#### Business Rates Appeals

Many companies employ specialists to try to have their business rates reduced. The claims are submitted to the Valuation Office and can take several years to be agreed. If the claims are approved refunds covering several years can result. Such payments can be substantial. The Council employs a specialist company to access the likelihood of successful claims.

#### Insurances

The potential for insurance claims is assessed annually by the Insurance Officer and the provisions are adjusted accordingly. A separate provision is maintained for the General Fund and the Housing Revenue Account.

## 24. Unusable Reserves

31 March 2018		31 March 2019
£000		£000
81,155	Revaluation Reserve	96,514
788	Deferred Capital Receipts Reserve	788
(99)	Financial Instruments Revaluation Reserve	(299)
254,210	Capital Adjustment Account	252,822
(12)	Financial Instruments Adjustment Account	(12)
(38,123)	Pensions Reserve	(48,466)
2,594	Collection Fund Adjustment Account	929
(287)	Accumulated Absences Account	(308)
<b>300,226</b>	<b>Total Unusable Reserves</b>	<b>301,967</b>

### 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.

2017/18		2018/19	
£000		£000	£000
<b>56,375</b>	<b>Balance at 1 April</b>		<b>81,155</b>
27,610	Upward revaluation of assets	19,632	
(1,751)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(3,280)	
25,859	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		16,352
(848)	Difference between fair value depreciation and historical cost depreciation	(790)	
(231)	Accumulated gains on assets sold or scrapped	(203)	
(1,079)	Amount written off to the Capital Adjustment Account		(993)
<b>81,155</b>	<b>Balance at 31 March</b>		<b>96,514</b>

### 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.

## NOTES TO THE ACCOUNTS

When the deferred cash settlement eventually takes place amounts are transferred to the Capital Receipts Reserve.

2017/18		2018/19
£'000		£'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	-
<b>788</b>	<b>Balance at 31 March</b>	<b>788</b>

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are:

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

2017/18		2018/19
£'000		£'000
<b>74</b>	<b>Balance at 1 April</b>	<b>(99)</b>
6	Upward revaluation of investments	-
(179)	Downward revaluation of investments	-
	Change in impairment loss allowances	(200)
<b>(99)</b>	<b>Balance at 31 March</b>	<b>(299)</b>

### 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.

Note 8 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## NOTES TO THE ACCOUNTS

2017/18 £'000		2018/19	
		£'000	£'000
<b>258,792</b>	<b>Balance at 1 April</b>		<b>254,210</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(10,795)	- Charges for depreciation and impairment of non-current assets	(9,287)	
347	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	(5,846)	
(1)	- Amortisation of intangible assets	(1)	
(265)	- Revenue expenditure funded from capital under statute	(663)	
(2,484)	- 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	(1,881)	
<b>(13,198)</b>			<b>(17,678)</b>
231	Accumulated gains on assets sold or scrapped		203
848	Difference between fair value depreciation and historical cost depreciation		790
<b>(12,119)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(16,685)</b>
	<b>Capital Financing applied in the year:</b>		
745	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,814	
4,051	- Use of the Major Repairs Reserve to finance new capital expenditure	7,760	
2,651	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,322	
67	- Application of grants to capital financing from the Capital Grants Unapplied Account	-	
402	- Capital expenditure charged against the General Fund and HRA balances	4,295	
<b>7,916</b>			<b>15,191</b>
43	Minimum Revenue Provision		106
(425)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(34)
3	Removal of initial recognition of Donate Assets credited to the Comprehensive Income and Expenditure Statement		34
<b>254,210</b>	<b>Balance at 31 March</b>		<b>252,822</b>

## NOTES TO THE ACCOUNTS

### Pensions Reserve

The Pension Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

2017/18		2018/19
£'000		£'000
(37,938)	Balance at 1 April	(38,123)
2,918	Remeasurements of the net defined benefit liability	(7,500)
(5,358)	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	(5,488)
2,255	Employer's pensions contributions and direct payments to pensions payable in the year	2,645
<b>(38,123)</b>	<b>Balance at 31 March</b>	<b>(48,466)</b>

### Collection Fund Adjustment Account

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

Council Tax	NNDR	Total		Council Tax	NNDR	Total
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
(13)	1,222	1,209	Balance at 1 April	64	2,530	2,594
77	1,308	1,385	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	95	(1,760)	(1,665)
<b>64</b>	<b>2,530</b>	<b>2,594</b>	<b>Balance at 31 March</b>	<b>159</b>	<b>770</b>	<b>929</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from this account.

2017/18		2018/19	
£'000		£'000	£'000
(289)	Balance at 1 April		(287)
289	Settlement or cancellation of accrual made at the end of the preceding year	287	
(287)	Amounts accrued at the end of the current year	(308)	
2	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		(21)
(287)	Balance at 31 March		(308)

### 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		£'000
(646)	Interest received	(440)
4,713	Interest paid	4,767
3	Interest element of finance lease payments	3

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

2017/18		2018/19
£'000		£'000
(9,149)	Depreciation	(9,280)
(1,298)	Impairment and revaluations in Consolidated Income and Expenditure	(5,858)
(1)	Amortisation of intangible assets	(1)
(3,503)	(Increase) / decrease in creditors	(102)
2,354	Increase / (decrease) in debtors	2,080
(51)	(Increase) / decrease in impairment for bad debt	(108)
(5)	Increase / (decrease) in inventories	-
(3,103)	Movement in pension liability	(2,843)
(2,484)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(1,863)
100	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(721)
(17,140)		(18,696)

## NOTES TO THE ACCOUNTS

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

2017/18		2018/19
£'000		£'000
-	Investment gains / (losses)	(199)
3,635	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,598
2,797	Any other items for which the cash effects are investing or financing cash flows	4,276
<b>6,432</b>		<b>6,675</b>

### 26. Cash Flow Statement – Investing Activities

2017/18		2018/19
£'000		£'000
14,537	Purchase of property, plant and equipment, investment property and intangible assets	27,683
35,104	Purchase of short-term and long-term investments	38,052
(3,635)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(2,598)
(29,916)	Proceeds from the sale of short-term and long-term investments	(37,050)
(5,329)	Other receipts from investing activities	(4,456)
<b>10,761</b>	<b>Net cash flows from investing activities</b>	<b>21,631</b>

### 27. Cash Flow Statement – Financing Activities

2017/18		2018/19
£'000		£'000
(471)	Other receipts from financing activities	(616)
15	Cash payments for the reduction of outstanding liabilities relating to finance leases	16
(67)	Other payments for financing activities	-
<b>(523)</b>	<b>Net cash flows from financing activities</b>	<b>(600)</b>

### 28. Reconciliation of Liabilities Arising from Financing Activities

	2018/19 1 April		Non-cash changes		2018/19 31 March
		Financing cash flows	Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(136,157)	-	-	-	(136,157)
Lease liabilities	(63)	16	-	-	(47)
<b>Total liabilities from financing activities</b>	<b>(136,220)</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>(136,204)</b>

## 29. 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.

Allowances	2018/19	2017/18
	£'000	£'000
Basic	247	229
Special Responsibility	74	64
Chair and Vice Chair Allowances	17	17
Co-Optees	1	1
Other Allowances (Travel, Subsistence, etc.)	1	4
<b>Total</b>	<b>340</b>	<b>315</b>

## 30. Officers' Remuneration

The remuneration paid to the Council's senior employees as defined by the Accounts and Audit Regulations 2015 is as follows:

Post Title		Salary including Fees and Allowances	Pension Contribution	Total Remuneration including Pension Contribution
		£	£	£
Chief Executive	2018/19	110,175	21,594	131,769
	2017/18	119,445	21,171	140,616
Deputy Chief Executive	2018/19	89,679	17,577	107,256
	2017/18	90,909	17,232	108,141
Deputy Chief Executive	2018/19	89,679	17,577	107,256
	2017/18	87,921	17,232	105,153
Head of Finance	2018/19	79,066	15,497	94,563
	2017/18	78,766	15,193	93,959

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2018/19		2017/18	
	Number of Employees		Number of Employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	4	2	2	-
£55,000 - £59,999	1	-	1	-
£60,000 - £64,999	3	-	3	-
£65,000 - £69,999	1	-	-	-
£85,000 - £89,999	-	-	1	1

## NOTES TO THE ACCOUNTS

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

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	12	1	-	3	12	4	118,807	21,254
£20,001 - £40,000	-	2	-	-	-	2	-	59,142
£40,001 - £60,000	1	1	-	-	1	1	53,673	45,855
<b>Total</b>	<b>13</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>13</b>	<b>7</b>	<b>172,480</b>	<b>126,251</b>

### 31. External Audit Costs

The Council incurred the following fees in relation to external audit and inspection:

	2018/19	2017/18
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	41	54
Additional fees payable to Grant Thornton in respect of prior year external audit services	49	-
Audit Fee - Objections to Accounts	18	-
Fees payable to Grant Thornton for the certification of grant claims and returns	31	12
<b>Total</b>	<b>139</b>	<b>66</b>

### 32. Usable Reserves

The movements on the Council's Usable Reserves are detailed in the Movement in Reserves Statement:

31 March 2018		31 March 2019
£'000		£'000
18,597	General Fund Revenue Balance	20,813
30,564	Housing Revenue Account Balance	32,295
9,242	Major Repairs Reserve	8,099
8,632	Usable Capital Receipts Reserve	8,509
434	External Capital Grants / Contributions Unapplied	872
<b>67,469</b>	<b>TOTAL USABLE RESERVES</b>	<b>70,588</b>

### 33. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19	2017/18
	£'000	£'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	(2,482)	(1,938)
Small Business Rate Relief	(2,044)	(1,697)
Revenue Support Grant	(307)	(794)
Self & Custom Build New Burdens Grant	(30)	(30)
High Street Community Clean up Grant	(25)	-
Parks & Open Spaces Improvement Grant	(22)	-
Brexit Preparation Grant	(17)	-
Brownfields Register & PIP LA	(4)	(5)
Discretionary Funding for Business Rates Relief	-	(137)
Transition Grant	-	(48)
New Homes Bonus Returned Funding	-	(8)
Council Tax Annex Discount Grant	-	(2)
<b>Non Ringfenced Revenue Grants</b>	<b>(4,931)</b>	<b>(4,659)</b>
Pump Room Gardens Heritage Lottery Grant	(718)	(1,863)
Community Infrastructure Levy	(438)	-
S106 Contributions	(536)	(161)
Heritage Assets Donations	(34)	(3)
Friends of Pump Room Gardens Contribution	(50)	-
Czech Memorial Fountain Friends Contribution	(13)	-
Arts Grants	(6)	-
<b>Capital Grants and Contributions:</b>	<b>(1,795)</b>	<b>(2,027)</b>
<b>Total Grants Credited to Taxation &amp; Non Specific Grant Income</b>	<b>(6,726)</b>	<b>(6,686)</b>
<b>Credited to Services</b>		
DWP grants for Housing Benefits	(27,716)	(28,228)
Disabled Facilities Grant	(915)	(750)
Housing Benefit Administration Grant	(518)	(532)
Rough Sleeping Initiative	(316)	-
Homelessness Prevention	(300)	(305)
Contribution towards NNDR Collection	(213)	(222)
Decentralisation & Neighbourhood Planning	(100)	-
District Heating Network Feasibility	(35)	-
Housing Advisors Program Expansion	(14)	-
Parliamentary Elections	(7)	(350)
LGA Improvement & Development Grant	(7)	-
Private Sector Housing - Letting & Landlords Grants	(1)	-
Local Land Charges	-	(32)
Electric Cars	-	(29)
<b>Credited to Services</b>	<b>(30,142)</b>	<b>(30,448)</b>
<b>TOTAL GRANTS</b>	<b>(36,868)</b>	<b>(37,134)</b>

## 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. The balances as at the year-end are:

	2018/19	2017/18
	£'000	£'000
S106 Contributions towards social housing, sports facilities & play equipment	4,903	4,254
<b>Capital Grants, Contributions Held in Advance</b>	<b>4,903</b>	<b>4,254</b>

### 34. Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with 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 some 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 2019 are included within the figures shown in the Grant Income note.

#### 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 Defined Benefit Pension Schemes note.

#### Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2018/19 the precepts issued totalled £1,522,679 (2017/18 £1,412,612). The major preceptors were:

Major Preceptors	2018/19 £'000	2017/18 £'000
Warwick Town Council	394	363
Royal Leamington Spa Town Council	362	332
Kenilworth Town Council	180	179
Whitnash Town Council	197	172

#### 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 £390,541 (2017/18 £461,042) were paid to voluntary organisations in which 25 members had declared interest or held positions on the governing body. The grants were made with proper

consideration of declarations of interest. The relevant members were excluded from any discussion or decision relating to the grants. The major grants awarded were:

Major Grants Awarded	2018/19 £'000	2017/18 £'000
Whitnash Town Council	153	-
Citizens' Advice Bureau	100	100
Kenilworth School Relocation	100	-
Norton Lindsey Village Hall	85	-
Brunswick Healthy Living Centre	81	94
Shakespeare's England	75	75
Warwickshire Community and Voluntary Action (CAVA)	56	55
Warwick Town Council	41	-
Coventry & Warwickshire LEP	36	20
The GAP	34	-
Kenilworth Lawn Tennis and Squash Club	33	-
The Chain	29	28
Sydenham Neighbourhood Initiatives	29	22
Community Forum Grants	23	-
Hill Close Gardens Trust	20	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 - £368,000 in 2018/19 (£328,000 in 2017/18).

## Entities Controlled or Significantly Influenced by the Authority:

PSP Warwick LLP was incorporated as a Limited Liability Partnership on 26 March 2013 as a collaborative activity between the Council and PSP Facilitating Limited. It is classified as a joint venture as the two parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require unanimous consent, and both have rights to the net assets of the entity. The primary role of the Joint Venture is to enable the Council to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the Council's operational and investment properties. Current projects include the Warwick District Council Head Quarters relocation.

PSP Warwick LLP has two Designated Members: The Council has a 50% shareholding in this company; and the remaining 50% of shares are held by PSP Facilitating Limited. Profits are to be distributed among the Members according to shareholding, unless as agreed otherwise by the members for specific projects.

In 2013 Warwick District Council initially invested £1 in the joint venture; there have been no other physical monetary transactions between the two entities since.

## Losses Made by the Joint Venture:

Under the provision of IAS28, where the Council's share of the Joint Venture equals or exceeds its interest in the Joint Venture, the Council discontinues recognising its share of further losses. Under the agreement of the Joint Venture, the Council has not incurred any legal or constructive obligation to meet these losses or made payments on behalf of the Joint Venture, therefore no liability is recognised.

## NOTES TO THE ACCOUNTS

Under IAS28, the Council will resume recognising its share of any future profits reported by the Joint Venture only after its share of the profits equals the share of the losses not recognised. PSP Warwick LLP reported losses in 2013/14 and each subsequent financial year. These losses total £756,513 as at 31 March 2019.

### Critical Judgements in Assessing the Collaborative Activity:

The Council's collaborative activity is PSP Warwick LLP with PSP Facilitating Limited constitutes an arrangement under which there is joint control owing to the need for unanimous consent for reserved matters on the PSP Warwick LLP Operations Board. As the Council has a right to a share of the net assets, the collaborative arrangement is deemed to be a joint venture under accounting standards however the transactions in 2018/19 were not considered material so group accounts have not been prepared.

The PSP Warwick LLP Report and Financial Statements for the year ended 30 April 2018 can be obtained from the registered office: Synergy House, 114 - 118 Southampton Row, London, England, WC1B 5AA.

The Registered Company Number for PSP Warwick LLP is: OC383779.

### **35. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it.

	2018/19	2017/18
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>144,866</b>	<b>137,403</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	20,216	15,142
Revenue Expenditure Funded from Capital Under Statute - Grants	663	265
Revenue Expenditure Funded from Capital Under Statute - Long-term loans	5,585	-
Finance Leases Principal	47	15
<b>Sources of Finance:</b>		
Capital Receipts	(1,812)	(745)
Government grants and other contributions	(1,322)	(2,718)
Major Repairs Reserve	(7,760)	(4,051)
Sums set aside from revenue	(4,296)	(402)
Minimum Revenue Provision	(106)	(43)
<b>Closing Capital Financing Requirement</b>	<b>156,081</b>	<b>144,866</b>
<b>Explanation of movements in year</b>		
Increase underlying need to borrow (unsupported by Government financial assistance)	11,215	7,463
<b>Increase in Capital Financing Requirement</b>	<b>11,215</b>	<b>7,463</b>

### 36. Leases

#### Authority as Lessor

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

#### Operating Leases

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

	31 March 2019	31 March 2018
	£'000	£'000
Not later than one year	317	299
Later than one year and not later than five years	1,269	1,195
	<b>1,586</b>	<b>1,494</b>

### 37. Impairment/Revaluation Losses

During 2018/19 play equipment to the value of £7.2k was identified as no longer in existence and written off to revenue alongside £5k of work in progress on capital schemes which are not likely to proceed having been superseded by new proposals. The £7.2k was subsequently reversed out to the Capital Adjustment Account but the £5k remained as a revenue cost in accordance with capital finance regulations.

Both St Nicholas Park and Newbold Comyn Leisure Centres were revalued during 2018/19 following their refurbishments and suffered revaluation losses of £0.309m and £5.006m respectively. Of these losses £1.677m was charged to the General Fund Revaluation Reserve with the balance of £3.638m being charged to the Surplus/Deficit on the provision of services and subsequently reversed out to the Capital Adjustment Account.

The old Co-op Nursery in Spencer's Yard having been purchased for £0.308m in 2017/18 was valued for the first time in 2018/19 and suffered a revaluation loss of £0.196m. In addition, two properties purchased in 2018/19, the old Stoneleigh Arms Public House (purchased for £0.701m) and land at Europa Way (purchased for £3.583m) were revalued during the year and suffered revaluation losses of £0.581m and £0.110m respectively. In all three cases the losses were charged to the Surplus/Deficit on the provision of services and subsequently reversed out to the Capital Adjustment Account.

Enquiries made of Service Areas, the Asset Management Team and dialogue with our external valuers, Carter Jonas, did not reveal any new properties which were physically impaired and which therefore required revaluation during 2018/19 in order to reflect their reduced capacity to operate at previous levels. However, the Council is aware of a significant issue with the Royal Pump Rooms roof which will require a substantial sum of money (£1m+) spending on it in the relatively near future but this has not affected its ability to operate and the valuation in the balance sheet of this property reflects this issue. Following the postponement of its demolition, a condition survey has been carried out on Covent Garden Multi Storey Car Park the results of which are expected in mid-June. At present it is too early to say whether the results of the survey may require the car park to be impaired further having already incurred a significant drop in its value in 2017/18 as a result of its condition.

## NOTES TO THE ACCOUNTS

### 38. 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 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

The Council recognises 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:

Comprehensive Income and Expenditure Statement	2018/19 £'000	2017/18 £'000
<i>Cost of Services:</i>		
- current service cost	4,435	4,346
Financing and Investment Income and Expenditure:		
- net interest expense	1,053	1,012
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,488</b>	<b>5,358</b>
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)	(5,553)	(68)
- Actuarial gains and losses arising on changes in demographic assumptions	-	-
- Actuarial gains and losses arising on changes in financial assumptions	13,075	(2,858)
- Other	(22)	8
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,988</b>	<b>2,440</b>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,488)	(5,358)
<b>Actual amount charged against the General Fund and HRA Balances for pensions in the year:</b>		
<b>Employer's contributions payable to scheme</b>	<b>2,645</b>	<b>2,255</b>

### 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:

	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	180,640	162,506
Fair value of plan assets	(132,174)	(124,383)
<b>Net liability arising from defined benefit obligation</b>	<b>48,466</b>	<b>38,123</b>

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

	2018/19 £'000	2017/18 £'000
<b>Opening fair value of scheme assets</b>	<b>124,383</b>	<b>122,750</b>
Interest income	3,341	3,169
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	5,553	68
The effect of changes in foreign exchange rates		
Contributions from employer	2,645	2,255
Contributions from employees into the scheme	749	706
Benefits paid	(4,497)	(4,565)
<b>Closing fair value of scheme assets</b>	<b>132,174</b>	<b>124,383</b>

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

	2018/19 £'000	2017/18 £'000
<b>Opening balance at 1 April</b>	<b>162,506</b>	<b>160,688</b>
Current service cost	4,435	4,346
Interest cost	4,394	4,181
Contributions from scheme participants	749	706
Remeasurement (gains) / losses:		
- Actuarial gains / losses arising from changes in financial assumptions	13,075	(2,858)
- Other experience	(22)	8
Benefits paid	(4,497)	(4,565)
<b>Closing balance at 31 March</b>	<b>180,640</b>	<b>162,506</b>

## NOTES TO THE ACCOUNTS

### Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2019				Period Ended 31 March 2018		
	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	1,868	-	1,868		1,597	-	1,597
Equity Securities (by industry type):							
- Consumer	6,361	-	6,361		13,957	-	13,957
- Manufacturing	2,626	-	2,626		4,952	-	4,952
- Energy and Utilities	158	-	158		2,064	-	2,064
- Financial Institutions	2,892	-	2,892		6,677	-	6,677
- Health and Care	3,136	-	3,136		3,722	-	3,722
- Information Technology	3,260	-	3,260		3,456	-	3,456
- Other	4,115	-	4,115		5,232	-	5,232
<b>Sub-total equity</b>	<b>22,547</b>	<b>-</b>	<b>22,547</b>		<b>40,060</b>	<b>-</b>	<b>40,060</b>
Debt Securities							
- Other	-	3,765	3,765		-	-	-
<b>Sub-total debt securities</b>	<b>-</b>	<b>3,765</b>	<b>3,765</b>		<b>-</b>	<b>-</b>	<b>-</b>
Property:							
- UK Property	14,428	-	14,428		12,679	-	12,679
- Overseas Property	22	-	22		33	-	33
<b>Sub-total property</b>	<b>14,450</b>	<b>-</b>	<b>14,450</b>		<b>12,712</b>	<b>-</b>	<b>12,712</b>
Private Equity:							
- All	-	6,728	6,728		-	4,530	4,530
Investment Funds and Unit Trusts:							
- Equities	49,796	-	49,796		31,969	-	31,969
- Bonds	21,761	-	21,761		19,079	-	19,079
- Hedge Funds	-	-	-		5,230	-	5,230
- Infrastructure	-	3,052	3,052		-	1,806	1,806
- Other	8,208	-	8,208		7,400	-	7,400
<b>Sub-total Investments</b>	<b>79,765</b>	<b>3,052</b>	<b>82,817</b>		<b>63,678</b>	<b>1,806</b>	<b>65,484</b>
<b>TOTAL ASSETS</b>	<b>118,630</b>	<b>13,544</b>	<b>132,174</b>		<b>118,047</b>	<b>6,336</b>	<b>124,383</b>

### 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.

The significant assumptions used by the actuary have been:

	2018/19	2017/18
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	2.4%	2.7%
Bonds	2.4%	2.7%
Property	2.4%	2.7%
Cash	2.4%	2.7%

<b>Mortality assumptions:</b>				
<b>Longevity at 65 for Current Pensioners:</b>				
Men	22.5	years	22.5	years
Women	24.7	years	24.7	years
<b>Longevity at 65 for Future Pensioners</b>				
Men	24.3	years	24.3	years
Women	26.7	years	26.7	years

Rate of inflation	3.5%		3.4%	
Rate of increase in salaries	3.1%		3.0%	
Rate of increase in pensions	2.5%		2.4%	
Rate of discounting scheme liabilities	2.4%		2.7%	

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed 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
Rate of increase in salaries (increase or decrease by 0.5%)	2,563	(2,563)
Rate of increase in pensions (increase or decrease by 0.5%)	15,149	(15,149)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	18,019	(18,019)

## 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 17 years. Funding levels are monitored on an annual basis. The next triennial valuation will be based as at 31 March 2019.

The Council anticipates paying £2,440,000 expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.6 years, 2018/19 (17.6 years 2017/18).

## 39. Nature and Extent of Risks Arising from Financial Instruments

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

## NOTES TO THE ACCOUNTS

- 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. The Council provides written principles for overall risk management, together with written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

### 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, except for Corporate Equity Funds which are rated as low or medium risk. 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 UK was due to leave the EU on 29 March but due to the inability of the Government and Parliament to agree on the terms of the withdrawal agreement this has a potential impact on the credit risk within the portfolio. The money markets believe that this is particularly so if the UK is seen to finally accept a poor deal or were to leave without a deal. In either case there is a danger that this would worsen the UK's economic prospects and lead to a further downgrade in its sovereign rating. This potential impact is being actively monitored and the ongoing consequences will be factored into future Annual Investment Strategies, with subsequent approval from the Council.

The credit criteria at 31 March 2019 in respect of investments held by the Council are:

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Proportion of Portfolio at 31 March 2019 £'000
<b>Specified instrument: (repayable within 12 months)</b>	<b>(FITCH or equivalent)</b>					
UK Govt. / Local Authorities / Public Corporations / Nationalised Industries	n/a		n/a	£9m	365 days	10,000
Bank - Private UK (includes Fixed Term Deposits, CD's and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£4m	365 days	8,000
	F1	A+	UK Sovereign	£6m	365 days	9,500
	F1	AA- & above	UK Sovereign	£7m	365 days	6,295
Corporates (Category 3 FRN'S, Bonds)	F1	A	UK Sovereign	£4m	365 days	2,000
	F1	A+	UK Sovereign	£5m	365 days	-
	F1	AA- & above	UK Sovereign	£6m	365 days	1,000
Money Market Fund (LVNAV)	AAAm / Aaa-mf/AAAmmf			£9m	liquid	13,345
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1			£6m	liquid	12,000
<b>Non-specified instruments</b>						
Corporate Equity Funds		N/A	Low Risk	£4m	10 years	6,000
					<b>Total</b>	<b>68,140</b>

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 2019, sundry debts outstanding stood at £2.010m of which £0.365m related to general debts and £1.645m 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 £0.03m

## NOTES TO THE ACCOUNTS

and £0.77m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.0m less £0.8m Credit Loss Allowances follows:

Warwick District Council has a substantial number of trade receivables. As the assets do not have a significant financing component, the loss allowance is to be based on lifetime expected credit losses.

The Council uses a provision matrix, based on historical observed rates over the lifecycle of trade receivables, adjusted for forward-looking estimates:

More than 1 year	100.00%
Current year	4.75%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount	Loss rate	Lifetime expected credit losses
	A	B	A x B
	£		£
Over 1 year	10,500	100.00%	10,500
Current year	354,500	4.75%	16,800
	<b>Loss allowance</b>		<b>27,300</b>

Warwick District Council has a substantial number of Benefits debtors. As the assets do not have a significant financing component, the loss allowance is to be based on lifetime expected credit losses.

The Council uses a provision matrix, based on historical observed rates over the lifecycle of this type of debtor, adjusted for forward-looking estimates:

01 - 03 months	23.60%
04 - 06 months	35.00%
07 - 09 months	40.00%
10 - 12 months	45.00%
Over 1 year	55.00%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount	Loss rate	Lifetime expected credit losses
	A	B	A x B
	£		£
01 - 03 months	230,300	23.60%	54,400
04 - 06 months	179,100	35.00%	62,700
07 - 09 months	108,000	40.00%	43,200
10 - 12 months	75,600	45.00%	34,000
Over 1 year	1,052,400	55.00%	578,800
	<b>Loss allowance</b>		<b>773,100</b>

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### **Amounts Arising from Expected Credit Losses**

The changes in the loss allowance for investments and long term debtors during the year are as follows:

The Council has analysed the credit risk of the investments held at 31 March 2019 using the methodology recommended by its treasury advisers in order to comply with IFRS 9.

The calculated potential impairment of £19.4k equates to 0.03% of total investments of £69.005m. This has been assessed as being immaterial and no impairment of the investments has been made.

During 2018/19, the Council made long term loans for capital expenditure amounting to £5.527m to various organisations. Due diligence was carried out to ensure that the borrowers capacity to repay the loans plus interest in a timely manner was adequate. Repayments of the loans are being made according to the various repayment plans and consequently there is little or no expectation of any form of credit default and therefore no expected credit loss has been included in the accounts.

At 31 March 2019, outstanding arrears in respect of Council house rents and charges stood at £1.617m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.225m 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**

This risk relates to market perceptions of the creditworthiness of particular counterparties or investment vehicles over and above those reflected in current credit ratings. The Council is not aware of any such perceptions which affect either counterparties that it has on its approved lending list or investment vehicles it is permitted to use.

### **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 2018/19 out-turn a 0.25% movement upwards in interest

rates would have produced an additional £0.203m 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 thus nullifying the effect of price fluctuations as the investments are redeemed at par i.e. face value.

With regard to its Corporate Equity Fund investments, year-end fluctuations in the value of these funds will be managed through the use of the Financial Instruments Revaluation Reserve thus ensuring no impact on the General Fund. The Council has also established an investment volatility reserve and this reserve will be used to finance any losses resulting from premature redemptions within the fund thus reducing the impact on the General Fund although the Council's policy will be to retain its investments in such funds for at least 5 years in order to achieve the optimum investment returns and minimising the risk to the capital value from stock market price falls.

## **40. Contingent Assets and Liabilities**

### Contingent Liabilities

As at 31 March 2019 the Council identified the following contingent Liability in relation to:

#### Pension Scheme Court Ruling

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial and fire fighters' schemes as part of the reforms amounted to unlawful discrimination.

A ruling has now been made which is likely to have implications for the Local Government Pension Scheme (LGPS), Police and Fire pension schemes.

Warwick District Council is a member of the Warwickshire LGPS and in line with this The Warwickshire Pension Fund Actuaries have prepared the following statement to clarify the potential impact to the Council in relation to this ruling:

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied.

The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just

## NOTES TO THE ACCOUNTS

those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Warwickshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Warwick District Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.44% higher as at 31 March 2019, an increase of approximately £780k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

**Furthermore, The Warwickshire Pension Fund Actuaries have prepared the following statement in relation to the potential impact of Guaranteed minimum pension (GMP) equalisation:**

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Warwick District Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to Warwick District Council is that total liabilities could be 0.17% higher as at 31 March 2019, an increase of approximately £309k.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.

### Contingent Assets

As at 31 March 2019 the Council identified the following material contingent assets in relation to:

#### Leisure Centre Refurbishment - Utility Company Legal Challenge

Delayed works relating the 2017/18 Leisure Centre Refurbishment Project of Newbold Comyn and St Nicholas Park Leisure Centre's have resulted in legal proceedings being brought by the Council to a number of Utility Companies in an attempt to seek recompense for delayed works which resulted in financial penalties for the Council. The Penalties were paid by the Council to the Contractor completing the refurbishment works as per the contractual agreement in relation to delayed works.

Disclosure of an estimate of value for this legal challenge in the accounts may affect the negotiations and would be prejudicial to the Council and its contractor's commercial interests. It might also lead to an expectation which would prejudice the outcome of the Legal proceedings. For these reasons, no estimate of value has been disclosed.

#### Business Rate Pooling – Local Volatility Fund

Following the Local Government Finance Bill, with effect from 1 April 2013, the Council agreed to participate in the Warwickshire and Coventry Business Rates Pool consisting of the following Authorities:

- Coventry City Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-On-Avon District Council
- Warwick District Council
- Warwickshire County Council

Under the new legislation, 50% of business rates collected by the billing authority is retained locally, the other 50% is paid to the Government. The Locally retained business rates are then split 80% to the pool and 20% to Warwickshire County Council.

Part of the Memorandum of Understanding for the Warwickshire and Coventry Business Rates Pool allocates 25% of the benefit of being in the pool to be set aside in a Local Volatility Fund. This is to provide protection for Pool members from falls in business rate income. The Local Volatility Fund is held by Warwickshire County Council as the lead authority and a memo account is maintained for each authority.

As at the end of March 2019, Warwick District Council held £660k within the Fund. This would be released to us if our business rates income fell by more than 5% of our baseline funding level or if we left the pool or the pool dissolved.

## HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) reflects the obligation to maintain a separate revenue account for the Council's housing provision. The HRA Income and Expenditure Statement shows the cost in the year of providing these housing services.

2017/18		2018/19	
£'000		£'000	£'000
	<b>EXPENDITURE</b>		
4,770	Repairs and Maintenance	5,884	
6,188	Supervision and Management	6,185	
266	Rents, Rates, Taxes and Other Charges	301	
204	Increased Provision for Bad Debts	205	
6,358	Depreciation and Impairment of Non-Current Assets	7,993	
<b>17,786</b>	<b>TOTAL EXPENDITURE</b>		<b>20,568</b>
	<b>INCOME</b>		
(25,501)	Dwelling Rents	(25,049)	
(885)	Non-Dwelling Rents	(947)	
(1,021)	Charges for Services and Facilities	(971)	
(414)	Contributions Towards Expenditure	(636)	
<b>(27,821)</b>	<b>TOTAL INCOME</b>		<b>(27,603)</b>
<b>(10,035)</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(7,035)</b>
74	HRA services' share of Corporate and Democratic Core		74
19	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		20
<b>(9,942)</b>	<b>Net Income for HRA Services</b>		<b>(6,941)</b>
(1,152)	Gain or Loss on sale of HRA non-current assets		(659)
4,713	Interest payable and similar charges		4,765
136	Net interest on the net defined benefit asset or liability		144
(171)	HRA Interest and Investment Income		(335)
-	Capital Grants and Contributions Receivable		(232)
<b>(6,416)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(3,258)</b>

## 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 HRA Balance before any discretionary transfers to or from reserves undertaken by the Council.

2017/18		Notes	2018/19	
£'000			£'000	£'000
1,400	Balance on the HRA at the end of the previous year			1,425
6,416	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	HRA I&E	3,258	
(460)	Adjustments between accounting basis and funding basis under statute	Main Notes 9	(1,527)	
<b>5,956</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>		<b>1,731</b>	
(5,931)	Transfers (to) or from reserves	Main Note 10	(1,702)	
<b>25</b>	<b>Increase or (decrease) in year on the HRA</b>			<b>29</b>
<b>1,425</b>	<b>Balance on the HRA at the end of the current year</b>			<b>1,454</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Housing Stock

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

	31 March 2019 Nos.	31 March 2018 Nos.
Houses	2,384	2,396
Flats	2,424	2,417
Bungalows	670	670
	<b>5,478</b>	<b>5,483</b>

The change in housing stock can be summarised as follows:

	2018/19 Nos.	2017/18 Nos.
Housing Stock at 1 April	5,483	5,518
New build	-	-
Purchases	19	-
Reclassification from non-operational to operational stock	-	-
Conversions	1	-
Right to Buy Sales	(25)	(35)
<b>Housing Stock at 31 March</b>	<b>5,478</b>	<b>5,483</b>

## 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:

	1 April 2019 £'000	1 April 2018 £'000
Council Dwellings	387,206	370,649
Other Properties	7,688	6,640
Land	291	275
Equipment	552	441
Assets Under Construction	306	-
Surplus Assets	-	-
Assets Held for Sale	84	121
<b>Total Balance Sheet Items</b>	<b>396,128</b>	<b>378,126</b>

## 3. Valuation of Dwellings

The 'vacant possession' value of dwellings represents the open market value of the housing stock, whilst the Balance Sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction to 40% of the market valuation) is the 'Economic Cost' of providing Council housing at less than open market rents.

## NOTES TO THE HOUSING REVENUE ACCOUNT

	31 March	1 April
	2019	2018
	£'000	£'000
Vacant Possession Value of Dwellings (Open Market Value)	962,429	921,168
Balance Sheet Value of Dwellings (Social Housing Value) (40% of Open Market Value)	(387,208)	(370,566)
<b>Economic Cost to Government</b>	<b>575,221</b>	<b>550,602</b>

#### 4. Summary of Capital Expenditure Funding Sources

	2018/19	2017/18
	£'000	£'000
Usable Capital Receipts	610	-
Revenue and Other Contributions	2,716	(335)
Major Repairs Reserve	7,761	4,052
<b>TOTAL CAPITAL EXPENDITURE FUNDING</b>	<b>11,087</b>	<b>3,717</b>

#### 5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken for the 1 April 2019 valuation by the Council's Valuer, Carter Jonas LLP. Revaluation gains of £16.027m were credited to the Housing Revenue Account Revaluation Reserve. Revaluation impairments of £224K were debited to the HRA.

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 Ministry of Housing Communities & Local Government (MHCLG). Currently, this is 40% of the Open Market Value.

#### 6. Summary of Capital Receipts

	2018/19	2017/18
	£'000	£'000
Sale of Council Houses	2,554	3,681
Other Non RTB Sales	-	-
Sale of Land	-	-
<b>TOTAL CAPITAL RECEIPTS</b>	<b>2,554</b>	<b>3,681</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 7. Depreciation of Fixed Assets

	2018/19	2017/18
	£'000	£'000
Council Dwellings	6,046	6,037
Other Buildings	522	447
Land	-	-
Equipment	48	27
Reversal of previous revaluation losses charged to HRA		(153)
<b>TOTAL DEPRECIATION</b>	<b>6,616</b>	<b>6,358</b>

### 8. Arrears and Provision for Loss Allowances

	2018/19	2017/18
	£'000	£'000
<b>HRA Rent &amp; Charges Arrears</b>		
Current Tenant Rent Arrears	789	610
Former Tenant Rent Arrears	365	276
<b>Dwelling Rent Arrears</b>	<b>1,154</b>	<b>886</b>
Garage Rent Arrears	18	7
Supporting People Charge Arrears	28	31
Court Cost Arrears	153	154
Overpayment of Benefit Arrears	142	174
Other Arrears	123	108
<b>Total Arrears</b>	<b>1,618</b>	<b>1,360</b>
<b>Prepayments</b>		
Dwelling Rent Prepayments	(409)	(370)
Garage Rent Prepayments	(13)	(13)
Other Prepayments	(7)	(7)
<b>Total Prepayments</b>	<b>(429)</b>	<b>(390)</b>
<b>Net Arrears</b>	<b>1,189</b>	<b>970</b>
<b>HRA Bad Debt Provisions</b>		
Rent Bad Debt Provision	(1,035)	(861)
Court Cost Bad Debt Provision	(190)	(189)
<b>Total Bad Debt Provisions</b>	<b>(1,225)</b>	<b>(1,050)</b>

#### Arrears as a proportion of gross rent net of housing benefit

Current Tenant Rent Arrears	5.72%	4.76%
Net Arrears	7.41%	6.42%

## 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.

2017/18				2018/19		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
INCOME						
(89,017)	-	(89,017)	Council Tax Receivable	(95,062)	-	(95,062)
-	(68,893)	(68,893)	Business Rates Receivable	-	(71,516)	(71,516)
(89,017)	(68,893)	(157,910)	TOTAL INCOME	(95,062)	(71,516)	(166,578)
EXPENDITURE						
Precepts and Demands:						
-	30,619	30,619	Central Government	-	35,733	35,733
68,464	6,124	74,588	Warwickshire County Council	72,805	7,146	79,951
10,119	-	10,119	The Office of the Warwickshire Police and Crime Commissioner	10,890	-	10,890
9,681	24,495	34,176	Warwick District Council	10,164	26,839	37,003
88,264	61,238	149,502		93,859	69,718	163,577
Distribution of earlier years' Collection Fund Surplus:						
(141)	277	136	Warwickshire County Council	-	193	193
-	1,385	1,385	Central Government	-	964	964
(22)	-	(22)	The Office of the Warwickshire Police and Crime Commissioner	-	-	-
(20)	1,108	1,088	Warwick District Council	-	2,519	2,519
(183)	2,770	2,587		-	3,676	3,676
Charges to the Collection Fund:						
229	275	504	Write-offs of uncollectable amounts	299	370	669
-	210	210	Warwick District Council: Cost of Collection Allowance	-	213	213
-	-	-	Increase / (Decrease) in Bad Debts Provision	20	-	20
-	(91)	(91)	Increase / (Decrease) in Provision for Appeals	-	1,492	1,492
-	1,248	1,248	Transitional Protection Payments payable	-	362	362
-	32	32	Renewable Energy Disregard	-	23	23
229	1,674	1,903		319	2,460	2,779
Movement On Fund:						
(707)	(3,211)	(3,918)	Net (Surplus) / Deficit for Year	(884)	4,338	3,454
120	(3,056)	(2,936)	(Surplus) / Deficit brought forward 1 April	(587)	(6,267)	(6,854)
(587)	(6,267)	(6,854)	(Surplus) / Deficit carried forward 31 March	(1,471)	(1,929)	(3,400)

## 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 year-end 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 2018/19 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	Ratio	Band D Equivalent Dwellings
@	-	12	-	(2.20)	9.80	5 / 9	5.44
A	4,761	17	264	(1,235.40)	3,806.60	6 / 9	2,537.73
B	11,773	48	660	(2,691.50)	9,789.50	7 / 9	7,614.06
C	17,078	6	575	(2,609.70)	15,049.30	8 / 9	13,377.16
D	12,590	(29)	386	(1,646.20)	11,300.80	9 / 9	11,300.80
E	7,282	(13)	357	(1,116.20)	6,509.80	11 / 9	7,956.42
F	4,972	(3)	114	(438.00)	4,645.00	13 / 9	6,709.44
G	4,039	(22)	44	(234.20)	3,826.80	15 / 9	6,378.00
H	426	(16)	8	(29.20)	388.80	18 / 9	777.60
	<b>62,921</b>	<b>-</b>	<b>2,408</b>	<b>(10,002.60)</b>	<b>55,326.40</b>		<b>56,656.65</b>
	Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief						308.37
	Less Council Tax Support Scheme						(3,576.15)
					<b>COUNCIL TAX BASE 2018/19</b>		<b>53,388.87</b>

### 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.

The two multipliers set by Government are:

- The Small Business Non-Domestic Rate Multiplier of 48p for businesses with a rateable value of less than £51,000.
- The Non-Domestic Rate Multiplier of 49.3p for other businesses with a rateable value of £51,000 or greater.

The total rateable value of properties in the Warwick District area was £172,348,849 at 31 March 2019

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

### **Accruals**

Cost of goods and services received in the financial 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 (three-yearly) 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 the economic benefit value of capital assets as they become out of date or depreciate.

### **Non-Current 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 6/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produces 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 is 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 (Non-Domestic Rates – NDR)**

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**

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

**Capital Programme**

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

**Capital Receipt**

Income from selling non-current assets. Capital receipts can be used to finance new capital expenditure or repay long term debt within rules set by central Government, but they cannot be used to finance day-to-day revenue spending.

**Capital Spending**

Spending on non-current 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 that 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.

**Community Assets**

The class of fixed assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

**Component Depreciation**

Is a procedure in which the cost of a large item of property, plant and equipment is allocated to different components of the asset and each component is depreciated separately. This procedure is also referred to as componentisation.

**Contingent Asset**

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

**Contingent liability**

A possible obligation 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. Since 1 April 2013 councils must have a council tax reduction scheme, which allows for council tax reductions of people, or classes of people, who are considered to be in financial need. In Warwickshire, the district or borough council issues

council tax bills and collects the council tax. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

### **Council Tax Base**

An assessment by each billing authority of the number of properties, converted to Band D equivalents (the average band), on which a tax can be charged. The calculation allows for new properties, exemptions, discounts, appeals and a provision for non-collection.

### **Credit Rating**

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the entity being able to pay back a loan.

### **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 inventories, debtors and bank balances.

### **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 ongoing membership of the pension scheme.

### **Current Spending**

The yearly running costs of local authorities, not including specific grants and the cost of acquiring non-current 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 for goods and services that is not paid by the end of the financial year.

### **Depreciation**

The drop in the economic benefit value of tangible non-current assets such as buildings and vehicles, which reflects wear and tear, age and obsolescence.

### **Earmarked Reserves**

Money set aside for a specific purpose.

### **Expected Credit Loss**

The probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of a financial instrument.

### **Fair Value**

The price that could be received for an asset sold or a liability settled in an orderly transaction, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are

## GLOSSARY

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 Instrument**

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

### **General Fund**

The account that records and finances Council revenue expenditure, other than HRA.

### **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.

### **Heritage Asset**

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

### **Housing Revenue Account (HRA)**

A separate statutory account dealing with the revenue income and expenditure arising from the provision of Council-owned and managed dwellings.

### **Impairment**

A reduction in the carrying value of a non-current asset as a result of a physical change in its condition or a significant decline in its market value.

### **Infrastructure Assets**

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways, drains and footpaths.

### **International Financial Reporting Standards (IFRS)**

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

### **Inventories**

Goods bought that have not yet been used. Also known as stock.

### **Investments**

The purchase of financial instruments in order to receive income and/or make capital gain at a future time, however with the overriding concern being security of the initial sum invested.

### **Investment Properties**

Land and/or buildings held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Liabilities**

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

**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'.

**Materiality**

Information is material if its omission or misstatement, individually or collectively, could influence the decisions that users make on the basis of financial information about a specific reporting entity.

**Minimum Revenue Provision (MRP)**

The prudent minimum amount which the Council must set aside each year to repay loans and other long term liabilities such as finance leases. This has the effect of reducing the Capital Financing Requirement.

**Net Book Value (NBV)**

The balance sheet value of a non-current asset after depreciation and/or impairment.

**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 Lease**

A type of lease, usually of computer equipment, vehicles, office equipment, etc., where the ownership of the goods and any risks and rewards remain with the lessor, therefore it is revenue expenditure and not capital expenditure.

**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 demand levied by a non-billing authority (County Council, Police Authority, parish and town councils) on the Collection Fund managed by a billing authority (this Council) towards their annual spending.

**Property, Plant and Equipment (also known as Non-Current Assets)**

## GLOSSARY

A physical (tangible) asset that is expected to be held for operational purposes for several years, such as land, buildings and vehicles.

### **Provisions**

Amounts set aside to meet specific service liabilities of uncertain timing or amount and to meet spending.

### **Prudential Code**

A statutory code of practice introduced on 1 April 2004 by Part 1 of the Local Government Act 2003, which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

### **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 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 that are carried forward to meet future obligations.

### **Revaluation Reserve**

Store of gains on the revaluation of non-current assets.

### **Revenue Spending**

Spending on the day-to-day running of services including salaries and wages, running expenses of buildings and equipment, contract payments, supplies and capital financing costs. These costs are met from council tax, business rates, Government grants, fees and charges.

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

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

### **Revenue Support Grant**

Traditionally the main Government grant to support local authority services. From 2019/20 onwards this reduces to nil for this Council.

### **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

To follow

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

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

## WARWICK DISTRICT COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2018/19

#### **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 Warwick District Council’s management arrangements are set up to meet the principles of good governance set out in the Council’s Constitution and how assurance is obtained 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.

## ANNUAL GOVERNANCE STATEMENT

- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE<sup>1</sup> Framework for Delivering Good Governance in Local Government that was issued in 2016.
- 3.7 The Council's corporate strategy is set out in its Fit for the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved. The FFF programme is the key planning instrument for the Council.
- 3.8 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 and reported to the Overview & Scrutiny Committee. Refreshed performance management arrangements will be in place for 2019/20.
- 3.9 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 Councillors' Codes of Conduct and protocols for councillor/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.
- 3.10 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.
- 3.11 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.
- 3.12 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.
- 3.13 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.
- 3.14 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.

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

- Head of Finance having responsibility for Asset Management.

- 3.15 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 councillors. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. However, in the light of overall capacity issues facing the Council and in the light of the issues arising from the failure to close down the 2017/18 accounts on time a Senior Management Review will take place. This may change the current arrangements.
- 3.16 There is one major issue regarding financial management that merits mention at this juncture. For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. A comprehensive examination of the reasons for this was conducted by the Chief Executive and a series of measures has been taken to ensure that this does not happen again.
- 3.17 With regard to asset management, responsibility for this comes under the Deputy Chief Executive (BH) as that is where the expertise and the operational work lies.
- 3.18 The Executive provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 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 core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.21 'Task and Finish' Groups, comprising solely councillors, are appointed by the Scrutiny Committees to examine various issues in detail. These Groups report back to their respective Scrutiny Committees with recommendations on improvements which are, when approved, taken forward.
- 3.22 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 the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.
- 3.23 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, 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 councillors annually.
- 3.24 The Council is embedding Risk Management throughout its arrangements 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 being considered by the Executive who assumes overall responsibility for it.

## ANNUAL GOVERNANCE STATEMENT

- 3.25 Council services are delivered by staff with the appropriate skills, training and level of experience. 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.
- 3.26 The individual performance appraisal system has 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 derive from the Corporate Strategy and Fit for the Future change programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.27 In May 2015 a new Council was elected. A councillor induction programme was put in place with training sessions around the internal operation of the council and information about the Council's services. All councillors received Code of Conduct and IT training. The Planning and Licencing Committees held specific induction training for their councillors. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all councillors, when required. Similar preparations as in 2015 are being made ahead of the elections in May 2019.
- 3.28 The Council strives to be open and accessible to the community. All Council committee meetings are open to the public except where 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 in paper form.) All Council meetings held in the Council Chamber, such as the meetings of the Council's Executive, are now recorded. 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 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operates shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.30 During the year, the Council published additional information on the transparency section of the website to meet new guidelines and comply with the 2015 Local Government Transparency Code. The Council strives to publish information that is accessible and understandable to councillors and the public, and continues to seek to make improvements in this. This especially applies to financial information.
- 3.31 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their Annual reports submitted to the April 2019 Council meeting. This included the continued work of a Task & Finish Group to look at the Role of the Chairman of the District Council and the monitoring of the implementation of the recommendations from another Task & Finish Group regarding Houses in Multiple Occupation.
- 3.32 Internal Audit reviews were undertaken during 2018/19 on various aspects of governance, including reviews of the efficacy of the Service Assurance Statements, the fulfilment of ethical obligations in the Council's work and the effectiveness of Performance Management arrangements.

### 4 REVIEW OF EFFECTIVENESS

- 4.1 Warwick District Council is required legally 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, annual service assurance statements completed by heads of services and 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 (one of the two Deputy Chief Executives) has responsibility for overseeing the implementation and operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, contemplating any changes that may be necessary to maintain it and ensure its effectiveness. 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 finances. This includes responsibility for maintaining and reviewing the Code of Financial Practice and Code of Procurement Practice to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. An updated Code of Procurement Practice was agreed by Council in December 2018. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.
- 4.5 Following on from the failure to produce audited Statement of Accounts by 31 July 2018, as referred to in paragraph 3.16, a comprehensive plan of actions and initiatives has been produced and monitored during the year. This has been reported to Executive and Finance and Audit Scrutiny Committee on a monthly basis. Within the actions, additional financial training has been provided for all officers across the Council who contribute to the closure of the accounts.
- 4.6 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance and control environment and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2018/19 has concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.7 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 assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements, reviewed by a panel of senior officers comprising the Monitoring Officer, the Section 151 Officer and the Head of Internal Audit, did not reveal any issues of significant concern.
- 4.8 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. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case the review was undertaken three years ago, well within the specified period for such reviews. Some minor shortcomings were identified which were promptly addressed. The findings of this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. An essential element of the assessment is to confirm

## ANNUAL GOVERNANCE STATEMENT

that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case.

- 4.9 Grant Thornton was appointed as the Council's External Auditor from 1 September 2012 to 31 March 2018 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2017/18 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that, except for the matters they identified in respect of timely financial reporting, the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources. With the significant actions being taken to ensure the timely production of an Audited Statement of Accounts for 2018/19, it is hoped that an unqualified Value for Money conclusion will be issued for 2018/19.

### 5 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 Last year's Annual Governance Statement included just one Significant Governance Issue – the Council's failure to meet the statutory deadline for publication of its financial statements. The Chief Executive conducted a thorough examination into the conditions that led to this failure and produced an action plan to ensure that it does not happen again. Progress in achieving this action plan was monitored throughout the year by the Council's Senior Management Team and by its Finance and Audit Scrutiny Committee and Executive.
- 5.2 Although all actions planned to be completed during 2018/19 have been fulfilled, a number of actions are either ongoing or have a later completion date. This matter is therefore an ongoing Significant Governance Issue.

### 6 CERTIFICATION

- 6.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2019 and up to the date of approval of the annual statement of accounts.

**Signed:**


\_\_\_\_\_  
Cllr Andrew Day  
Leader of the Council

\_\_\_\_\_  
Chris Elliot  
Chief Executive

**Dated:**

\_\_\_\_\_  
30 July 2019

\_\_\_\_\_  
30 July 2019

 <b>Finance and Audit Scrutiny Committee</b> <b>30 July 2019</b>		<b>Agenda Item No.</b> <b>5</b>
<b>Title</b>	Finance – Service Area Update	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	24/6/2019	Andrew Jones
Head of Service	24/6/2019	Mike Snow
CMT	24/6/2019	
Section 151 Officer	24/6/2019	Mike Snow
Monitoring Officer	24/6/2019	Andrew Jones
Finance	24/6/2019	Mike Snow
Portfolio Holder(s)	24/6/2019	Cllr Richard Hales
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 This report brings together details of the Finance Risk Register, Contract Register, Budget, and service initiatives.

## 2. **Recommendation**

- 2.1 That Finance & Audit Scrutiny Committee should review the following documents and make observations as appropriate:-

- The Finance Risk Register (Appendix 1)
- The Finance Contract Register (Appendix 2)
- The details of the Finance Budget (Appendix 3)
- The Finance Performance 2018/19 (Appendix 4)

## 3. **Reasons for the Recommendation**

- 3.1 This reports presents a review of the Finance service and brings together :-

- Finance Risk Register
- Finance Contract Register
- Finance Budget
- Finance Performance report 2018/19

### 3.2 Risk Register

- 3.2.1 The latest version of the Finance Risk Register is set out as Appendix 1 to this report. The register was last reviewed by Finance Management Team and Portfolio Holder in June 2019. The register is annotated according to the key on the final page of the register and reflect the fact that the register is a working document.

- 3.2.2 The scoring criteria for the risk register are subjective and are based on an assessment of the likelihood of something occurring, and the impact that might occur.

- 3.2.3 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse is true for tho5e risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks are within the area shaded red, whilst the latter-described set of risks are within the area shaded green; the mid-range are in the area seen as yellow.

- 3.2.4 Finance is responsible for a wide range of services. There are 34 risks contained in the risk register. These have been categorised as generic or service specific risks. However, as a support service it will be noted that many of the risks are effectively council-wide, reflecting how the function may be primarily managed by Finance on behalf of the rest of the Council.

- 3.2.5 There are two risks that are shown in the "red":-

7. Loss / shortage of staff (leading to loss of skills, knowledge & capacity). This risk is currently shown as high due to the turnover within the Accountancy Team over the last two years following two retirements. Whilst the retirements

had been actively planned for, the situation has been exacerbated by the shortage of suitable candidates. The Register shows the many measures being taken to manage this risk, with a view to reducing it. All posts have now been filled, with a new Apprentice post currently being recruited to. Until all staff are more established in their new roles, it is prudent to retain the likelihood of this risk occurring.

24. Qualified opinions; Late accounts; Late Government Returns. Members will be aware of the problems in signing off the audited accounts for 2017/18 and the subsequent actions being taken. Whilst the audit of the 2018/19 Accounts is progressing well, it would be premature to reduce this risk score.

- 3.2.6 Most of the risks are shown as “amber” in accordance with the Council’s risk scoring matrix. As with all the risks in the register, it is the controls and mitigations that are being undertaken to control the risk that are of importance. These reflect the tangible actions over which there is more control.

### 3.3 Contract Register

- 3.3.1 The latest version of the Finance Contract Register is set out in Appendix 2. There are 23 live contracts listed.
- 3.3.2 Two of the most significant of these contracts relate to the Council’s integrated Financial Management System (Total Mobile) and the Revenues/Benefits Systems (Civica). The contracts for both systems are due to come to an end in 2021 and 2022 respectively. A project team is in place to consider the options for re-procuring the Financial Management System. Following a recruitment process, a Project Manager is due to commence with the Council by August. Public sector frameworks are also being investigated for the procurement of the Revenues/Benefits systems.
- 3.3.3 The Council’s insurance contracts are due to be replaced by November 2019. In accordance with the procurement plan for this contract, this contract is currently out to tender as part of the OJEU process.

### 3.4 Budget

- 3.4.1 Details of Finance budgets are included as Appendix 3. This is based on the relevant pages of the Base Budget report that was considered by Members in January 2019, with these pages now being part of the Council’s Budget Book. With the Council’s accounts now closed (subject to the current on-going audit), the opportunity has been taken to include the 2018/19 Actual Expenditure alongside the Budget for the current year.
- 3.4.2 The figures for Treasury Management and Investment have not been considered in detail here. However, these are considered in more detail as part of the Treasury Management Annual Report to Finance and Audit Scrutiny Committee also on this agenda.

### 3.5 Performance

- 3.5.1 Details of the performance of Finance against the 2018/19 Service Plan in included as Appendix 4. The 2019/20 Service Plan can be found within the reports to the Executive on 10 July 2019.

#### 4. Policy Framework

##### 4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The Benefits function directly helps to support people to be able to afford their homes.	The work by Finance assists to provide finances for all of the Council's main services.	The work by Finance assists to provide finances for all of the Council's main services.
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
As a service, Finance is committed to developing and supporting staff to achieve their potential.	As a service, Finance is very committed to customer's and making optimum use of digital technology.	The work of Finance includes managing the Council's overall finances. This includes ensuring the Council's

		finances are sustainable, and also that, as public money, all resources are properly used and accounted for.
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## 4.2 Supporting Strategies

There are several policies and strategies for which Finance takes the lead, with these being applicable across the Council. These primarily are:-

Code of Financial Practice  
Code of Procurement Practice  
Financial Strategy  
Anti-Fraud Strategy  
Procurement Strategy 2019-2023

## 4.3 Changes to Existing Policies

This report does not propose any changes to existing strategies

## 5. Budgetary Framework

5.1 Details of the Finance Budgets are discussed in para 3.4. and Appendix 3.

5.2 In addition to managing the specific Finance Budgets, Finance also co-ordinate all other budgets as part of managing the overall finances of the Council. Budget reports are routinely considered by the Senior Management Team, with quarterly reports issued to the Executive. The next Executive report, is due in August which will detail the outlook for the Council based on Quarter 1.

## 6. Risks

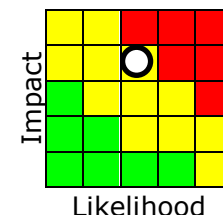
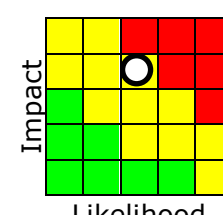
6.1 Details of the Finance Risk Register has been included in para 3.1 and Appendix 1.

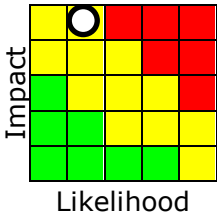
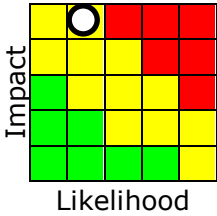
6.2 Members will note from reports from the Audit and Risk Manager, that the Finance Service is subject to many routine reviews by internal audit. These are reported periodically to this Committee, along with progress on the respective recommendations/actions.

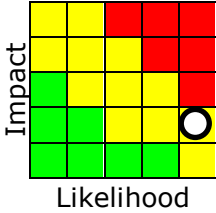
## 7. Alternative Option(s) considered

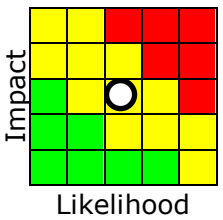
7.1 As this report is primarily for information, at the request of the Finance and Audit Scrutiny Committee, no other options are proposed.

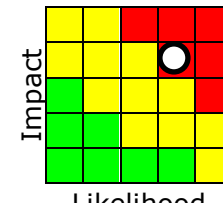
## Finance Risk Register – Post FMT Review 13 June 2019

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
<b>Generic Risks</b>						
1. Loss of IT.	<p>Computer breakdown. Technology problems. System problems, including hacking. Reliance on key staff. Acts of God e.g. fire, hurricane, flood. Power failure. Malicious acts by employee. Reliance on key staff.</p>	<p>Unable to issue bills update accounts, provide information, take recovery action, issue receipts, collect money. Loss of revenue to Council and other Local Authorities (depends on timing). Cost implications. Poor data. Uncontrolled budgets. Dissatisfied customers (and staff). Damaged reputation. Resource implications for rectification. Unable to pay benefit claimants, suppliers, staff Staff morale. Loss of switchboard.</p>	<p>IT support. System provider helpdesk. Contract with software supplier to maintain FMS training needs. Well trained staff. Adequate cover. Business Continuity Plan. Back-ups. Manual records for certain activities. System controls. Duplicate records. Procedure notes. Audit testing. Good plans. Auto save. Regular testing of Card Readers at home. CSTeam to re-locate to area in RSH backed up by generator. Amend answerphone messages on telephony system to provide alternative contact numbers. Ledger controls (re authorisation over £50K).</p>	<ul style="list-style-type: none"> <li>Ongoing Review of Business Continuity Plans.</li> <li>SFM to investigate with IT the issue of access to HSBC in the absence of no WDC IT, using non-WDC IP address. (By end September 2019)</li> <li>Managers in Finance to be given access to 'Resilience Direct' so that BCP and RR can be stored there in the event of WDC systems failure. Training with Safer Communities Team Leader (Jayne Bailey) to be arranged.</li> <li>Issue regular reminder to staff about suspect emails. Circulate through team meetings. (ongoing)</li> <li>Instructions needed for those who can authorise transactions over £50K. SFM to issue instructions. (By end June 2019)</li> </ul>	<p>Divisional managers</p> <p>Strategic Finance Manager</p> <p>Head of Finance</p> <p>Head of Finance</p> <p>Strategic Finance Manager</p>	
2. Loss of key records.	<p>System failure. Accidental disposal. Theft – particularly of IT servers. Inadequately trained staff. Out of date Document Retention Policy.</p>	<p>Unable to provide service. Possible litigation. Financial loss. Bad publicity. Reputation damage. Loss of confidence. Resource implications for replication. Staff morale. Pressures on staff. Qualified Audit Opinion.</p>	<p>IT able to restore systems. Staff training. Secure storage and disposal of sensitive paper documents. Corporate Document Retention and Disposal Policy. CoCo compliance Archiving options reviewed in line with corporate retention policy. Regular full system backups in place.</p>	<p>Implement relevant system modules and test re Total and Civica. (By end of June 2019)</p>	<p>Democratic Service Manager and Deputy Monitoring Officer / Head of Finance</p>	

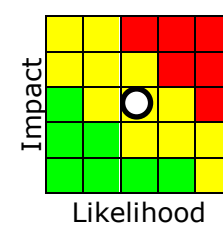
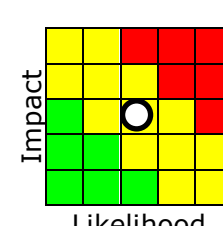
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
3. Loss of office accommodation.	Fire. Denial of access.	Unable to provide services. Staff morale. Financial loss.	Work at home. IT disaster recovery plan. Business continuity plan critical services identified. Homeworking for banking arrangements, including payments. Procedure Manual (with BCP) Telephone answerphone messages amended to provide alternative contact numbers – included in BCP.	Continue to review BCP. (Ongoing)	Head of Finance/Divisional Managers	
4. Physical harm to staff.	Customer dissatisfaction. Accident. Intruders in offices. Staff in building very early and / or very late. Violence / threatening customers.	Verbal abuse. Actual physical injury. Infection. Health and safety investigation. Traumatized staff. Stress. Staff pressures. Death. Staff morale.	Health and Safety. Mobile phones. Compliance with lone worker procedures. Staff alert list. Physical security measures. e.g. screens, working in pairs, personal alarms. Training. Policies. Reporting / monitoring procedures.			

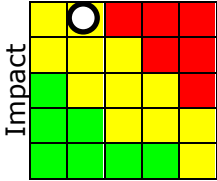
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
5. Fraud (non Benefit) / Corruption.	Dishonest staff, customer, suppliers. Collusion. Lack of controls. Poor systems. Abuse. Exploitation. Poor control mechanisms. Poor audit processes. Poor management. Fraudulent insurance claims. Aggrieved staff.	Financial loss. Resource implications for investigation. Reputational damage. Adverse publicity. Loss of credibility. Staff morale.	Monthly / quarterly budget review. Established documented procedures. DBS checks (where appropriate). Procedure manuals. Audit Regime. Audit trails. National Fraud Initiative. Robust computer systems. Good IT security. Codes of conduct. System and processing controls e.g. segregation of duties. Whistle blowing policy. Fidelity guarantee insurance. Anti-fraud & corruption strategy. Membership of NAFN. Reconciliations (e.g. bank recs). Cash checks undertaken by Internal Audit. Establishment of Corporate Fraud Team.			 <p>Impact</p> <p>Likelihood</p>

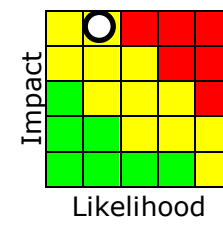
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
6. Failure to communicate effectively	High workload. Reliance on key staff. Staff absence. Human error. Home working. Inappropriate form of communication. Poor communication with partners/providers. Poorly trained customer service staff.	Incorrect information used to carry out work. Financial loss. Additional workload. Staff morale. Stress. Reputational damage. Service failure. Failure to relay messages.	Monthly team meetings. One-to-ones. E-mail/Jabber Intranet. Circulation of minutes from meetings. Corporate communication strategy. Staff training. Cultural changes. Whistle-blowing policy. SMT de-briefings. Continue to bring significant issues to line management attention as they arise. (All staff – ongoing) Staff Voice. Managers Forum. Rumour Mill. Probation meetings Appraisals (part of 'Golden Thread').			 <p>Impact</p> <p>Likelihood</p>

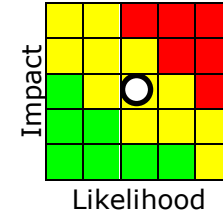
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
7. Loss / shortage of staff (leading to loss of skills, knowledge & capacity).	Dependency on key staff. Long term sickness. Redundancy. Retirement. Union action. Bereavement. Threat of work transferring to DWP due to roll out of universal credit. Time taken to recruit. Pay and competition from neighbouring authorities.	Unable to supply service. Financial loss. Error. Reduced Service. Potential breach of law. Increased pressure on staff. Staff morale. Customers waiting an unreasonably long time for payments of Housing Benefit resulting in homelessness. Fraud going undetected. Reduced resilience / capacity from reducing staff numbers. Increased sickness absence.	Operational / procedures and controls. External assistance. External expertise, use of agency staff. Appropriate cover by other team members. Use of agency staff and apprentices. Workforce planning e.g. Succession planning. Prioritisation of work plan. Treasury Management Practices. Management of staff leave & absence. Experienced staff. Proactive anti-fraud campaign Recruit apprentices on short term contracts to protect current experienced staff. Provide ongoing re-assurances to current staff. Introduction of E forms and Risk Based verification and practices and procedures. Ongoing review and updating of Procedures and Practices. Employment of agency staff. Handover with replacement or other staff Use all appropriate available methods of recruitment Market Forces Supplement policy. JDs being reviewed routinely. (Ongoing) Regular team meetings. One-to-ones.	Update operational / procedures and controls. (Ongoing) Update Treasury Management and Banking Practices. (By end September 2019) Implementation of new Financial Management System to replace Total and Income Management System. (Complete and live by June 2022) Procedure notes for digital process for checking and authorising payments over £50K. (Accountancy to complete by June 2019) Ensure handovers with replacement or other staff are completed.	Head of Finance / Divisional Managers  Strategic Finance Manager  Strategic Finance Manager  Strategic Finance Manager  Head of Finance / Divisional Managers	 <p>Impact</p> <p>Likelihood</p>

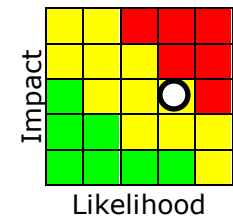
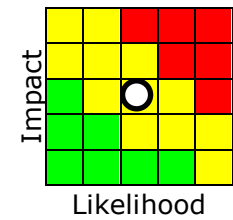
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
8. Provision of incorrect information / advice to stakeholders (benefit claimants, taxpayers, suppliers, WDC staff, members, business rate payers).	Untrained staff. Not up to date with legislative changes. Short deadlines. Pressure on staff. High turnover of staff.	Financial loss. Embarrassment. Loss of credibility. Judicial review. Compensation. Reputational. Greater pressure on back office. Qualified Audit Opinion.	Training. Guidance notes. Procedures. CPD. External professional advice. Legal advice. Internal/external audit. Secure systems. All frontline staff, i.e. Call centre and one-stop shop staff, trained and scripts up to date. Keep Procedures Notes and Procedure Manuals up-to-date.			
9. Breaches of Health and Safety legislation.	Home working. Driving for work. DSE/VDU usage. Manual handling. Person falling from height. Items falling from height. Deteriorating condition of Riverside House.	Sickness absence. Stress. Injury. Death. Legal action. Penalties/Fines.	Corporate health and safety policy including Home working and Driving at work. Eye tests. Regular DSE assessments. Health and safety risk assessments (AssessNET). Training available. Insurance cover. Health & safety on team meeting agendas. Home working policy. Ongoing DSE assessments. Review of DSE assessments by SMT. Regular health & safety reviews.	All managers to attend corporate IOSH training. (Various dates)	Divisional Managers and managers in Finance	
10. Failure to deliver projects within the service.	Lack of resources. Poor planning. Lack of time. Lack of knowledge. Staff absence.	Core work disrupted. Financial loss. Reputation damage. Staff morale.	Project planning. Prince II. Project risk registers. Consultation.	Recruitment of project manager for new finance system project.	Head of Finance	

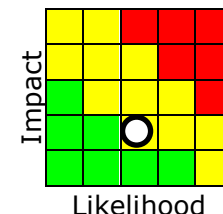
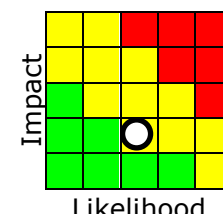
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
11. General Data Protection Regulations and Freedom of Information compliance breach.	Poor / inadequate training of staff. Give out personal information. Hold inappropriate information. Information not stored securely. Staff absence. Misdirection of post. Information/subject access requests not promptly actioned. Letters sent to wrong people containing personal data Impacts of GDPR	Breach Data Protection legislation. Investigation. Litigation. Financial loss – fines, compensation. Reputational damage. Fraud. Money laundering.	Adequate training for staff. Document retention policy. Encryption of data. Information security policy. Data protection policy / staff guidelines. Stapling letters Checking regime prior to passing to printroom. Undertaking meta compliance training. Maintenance of Data Audit Matrix. Letters to contractors and suppliers (who hold personal data). Letters issued to contractors. Corporate guidance for information retention Ongoing Corporate review of data protection / FoI governance by Democratic Services Manager. Regular corporate group meetings. GDPR compliance now live in Total.	Meta Compliance GDPR training provided. Further training planned. Some still need to complete the GDPR training. Corporate guidance on retention of corporate records being updated. being updated Archiving ongoing. Ongoing discussions with contractors to obtain statement of their position. (Exchequer Manager to discuss with Information Governance Manager)	Head of Finance and System owners  Information Governance Manager  Exchequer Manager	
<b>Service-specific Risks</b>						
12. Failure to correctly monitor / manage Finance budget.	Poor estimating. Poor control mechanisms.	Over / under spends against agreed Budget. Not factored in to future years' projections. Failure to identify incorrect payments.	Monthly Budgetary Review system and reconciliations in place. Appropriate financial training for relevant Finance staff. Realistic budgets. Ongoing Review of Budget Review System. Training provided on Code of Financial Practice.	SFM to produce Budget meeting template. (End June 2019)	Strategic Finance Manager	

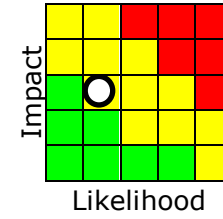
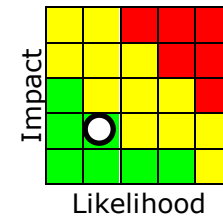
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
13. Inaccurate medium term financial plans / forecasts (excluding external factors identified in SBRR).	<p>Decision-making on a whim (Unplanned decision-making).</p> <p>Changed local priorities.</p> <p>Lack of specific guidance on funding from central government.</p> <p>Lack of clarity in Corporate Planning and co-ordination with service requirements.</p> <p>Service changes not communicated to staff in Finance.</p> <p>Human error.</p> <p>Unexpected council tax funding decisions by central government.</p> <p>Introduction of 75% business rate retention.</p>	<p>Savings under / overstated.</p> <p>Unstable finances.</p> <p>Stop-go expenditure.</p> <p>Impact on service provision.</p> <p>Big surprise politically at council tax and budget setting.</p> <p>Local implications of unexpected council tax funding decisions by central government.</p> <p>Loss of credibility.</p> <p>Figures potentially inaccurate.</p>	<p>Good linked service planning / risk management and budget preparation.</p> <p>Continual updates and reporting.</p> <p>Monitoring the political environment.</p> <p>Regular reconciliations.</p> <p>Presentation to Members.</p> <p>Improved communications to promote awareness of all future developments.</p> <p>Scrutiny of Executive reports.</p> <p>Budget review process.</p> <p>Ensuring liaison between Service Heads and Portfolio Holders.</p> <p>Access to specialist consultancy advice.</p> <p>Provision of 4-year financial settlement, making amount of external funding less critical.</p>	Review of 'Below The Line' items to feed into MTFS process. (By end September 2019)	Strategic Finance Manager	

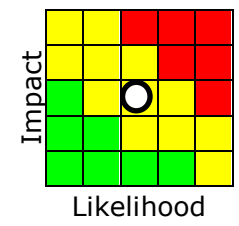
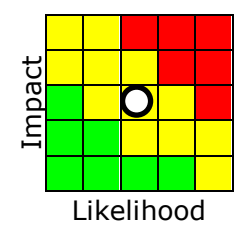
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
14. Poor day to day treasury management of bank balances; borrowing; cash flow; investments and interest rate volatility.	<p>Inexperienced staff.</p> <p>Lending outside of Council's counterparty lists or exceeding deposit limits with individual borrower.</p> <p>Collusion.</p> <p>External pressure to achieve unrealistic returns.</p> <p>Out of date information.</p> <p>Investing in wrong part of market.</p> <p>Not able to carry out daily function.</p> <p>Dependence on key staff.</p> <p>Unforeseen economic events e.g. recession.</p>	<p>Financial loss.</p> <p>Reputational loss.</p> <p>Adverse publicity.</p> <p>Failure to achieve PIs.</p> <p>Council has inappropriate bank accounts.</p> <p>Poor budgeting as a result.</p> <p>Unable to finance statutory payments.</p>	<p>Fully-trained staff.</p> <p>Adherence to Code of Practice / Treasury Management Policy and Strategy, TM Strategy approved by Members.</p> <p>Separation of duties.</p> <p>Up to date counterparty (bodies we invest with) lists.</p> <p>Use of, and regular meetings with, Treasury Management consultants.</p> <p>Continuous updating of counter-party list.</p> <p>Review of credit ratings.</p> <p>Regular reports to F&amp;A.</p> <p>Scrutiny committee.</p> <p>Treasury Management Practices.</p> <p>HSBC authorisation.</p> <p>Recent intervention has improved robustness of service.</p> <p>HRA self-financing project board risk register.</p> <p>50-year HRA business plan.</p> <p>Workforce planning.</p> <p>Regular audits.</p>	Updating of Treasury Management procedures. (December 2019)	Strategic Finance Manager	

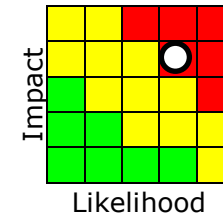
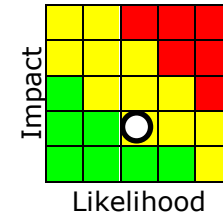
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
15. Additional Value Added Tax liabilities.	<p>Loss of key staff.</p> <p>Lack of up to date knowledge.</p> <p>Staff not properly informed by Service Areas.</p> <p>Lack of understanding.</p> <p>Lack of engagement by services areas with Finance staff.</p> <p>VAT implications of new projects not considered.</p> <p>Finance not involved in projects at early stage so VAT implications of new projects not considered.</p> <p>Improper administration.</p> <p>Delays in processing.</p>	<p>Failure to meet deadlines and errors leading to financial loss - penalties, fines.</p> <p>Reputation.</p> <p>Staff morale.</p> <p>Partial exemption breached.</p> <p>Opportunities to recover VAT are missed.</p> <p>Increased project costs.</p>	<p>VAT return reviewed by line management and another accountant.</p> <p>Access to VAT Help Desk.</p> <p>Internal audit.</p> <p>VAT audit.</p> <p>Robust, well-trained staff in service areas (particularly FSTeam).</p> <p>Coverage from Asst. Accountant.</p> <p>VAT accountant and cover advise on project structure.</p> <p>Monitoring against limit.</p> <p>Provide and maintain up-to-date guidance on VAT and make available to all staff.</p> <p>Procedure notes for calculations.</p> <p>Adequate training.</p> <p>Careful scrutiny of Executive Reports.</p> <p>Finance representation on project boards.</p> <p>Delays in manually processing VAT allocations.</p> <p>Implementation of automatic allocation of VAT at source.</p> <p>Debtors Training run.</p> <p>Greater centralisation of sundry debtor invoices.</p> <p>Alert VAT accountant to any issues which could affect VAT claim.</p> <p>VAT knowledge kept up to date through review of Public Sector Tax Circulars, access to PW VAT Committee minutes, and the use of the VAT helpline when necessary (for which we pay KPMG an annual fee to access).</p>			 <p>Impact</p> <p>Likelihood</p>

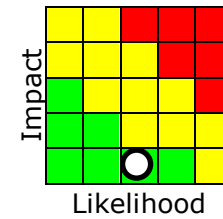
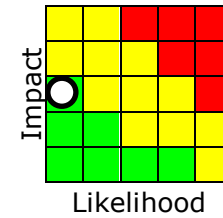
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
16. Insufficient Housing Benefit Subsidy and Admin Grant received from Central Government.	Lack of guidance / support from central government. Poor estimating. Poor monitoring mechanisms. Universal credit. Cut in grant. Reduction subsidy. Increased take-up. Poorly trained staff. Incorrect calculation of awards.	Negative material budget variations. Uncertainty of consequences regarding universal credit. Financial pressure for the council. Repayment of subsidy.	Quarterly estimate update Additional Benefit team leaders enable accuracy checking for individual staff. Monthly monitoring. Scheme for council tax reduction Monitoring the economic environment (e.g. through LG Futures). Internal and external audit. Where auditing regime identifies errors, ensure appropriate action taken.			
17. Failure of a banking service e.g. BACS or systems at one bank	Failure of BACS system. Failure of CHAPS. Internet and/or network unavailable. Failure of bank systems. Telecommunication failure. Failure of Capita system. Failure of Epay.	Customers and suppliers not paid causing hardship. Customers unable to pay WDC resulting in recovery action. Complaints. Bad publicity. Litigation. Cash flow. Financial loss. Unable to reconcile bank balances. Cyber security breached.	Use available alternative payment methods e.g. typing up cheque, going down to bank, obtaining cash, purchasing card. We ask tenderers to provide confirmation, by an independent Certification Body acceptable to the Authority, that they meet fully the requirements of the Cyber Essentials Scheme. Information Security Risk Statement received from HSBC Dec 2017.			

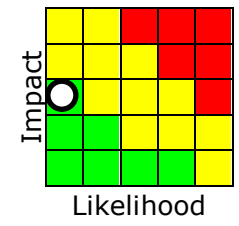
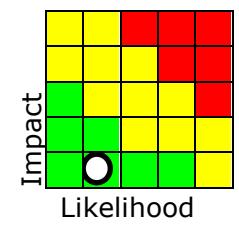
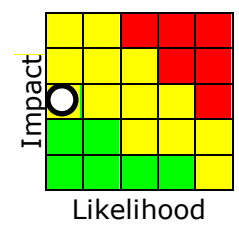
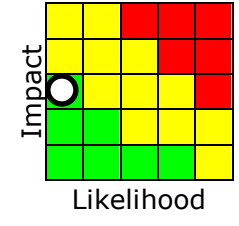
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
18. Ineffective / inappropriate insurance cover.	<p>Poor risk analysis.</p> <p>Inadequately trained staff.</p> <p>Poor procedures.</p> <p>Lack of internal communication particularly regarding projects.</p> <p>Exclusions within policy wording.</p> <p>Insurance invalidated by actions of WDC or contractor.</p> <p>WDC fined.</p> <p>Claim for uninsurable risk e.g. compensation due under statute, asbestos exposure, Chancel repair liability, TPO work refusal.</p> <p>Liability claim received where insurer no longer exists.</p> <p>Lack of response to insurance procurement which is to take place in 2019.</p> <p>Deteriorating claim history.</p>	<p>Financial loss.</p> <p>Increased premiums.</p> <p>Loss of reputation.</p> <p>Political embarrassment.</p> <p>Losses not insured.</p> <p>Insurers don't pay.</p>	<p>Operational/procedures and Manual.</p> <p>Brokerage assistance.</p> <p>Insurer expertise.</p> <p>Risk Management Group.</p> <p>Claims handling system.</p> <p>Annual and Quarterly Reports to SMT raising awareness of need to notify Insurance Officer.</p> <p>Staff cover arrangements put in place.</p> <p>Insurance arrangements publicised on intranet so that services are aware of their obligations e.g. to notify Insurance &amp; Risk Officer of insurable events and risks.</p> <p>Reserves for uninsured losses.</p>	Full OJEU compliant procurement exercise to take place alongside requesting quote from the LGA Insurance Mutual.	Audit and Risk Manager	
19. Insufficient provision to meet liabilities under MMI scheme of arrangement.	<p>Receipt of new claim which should be covered under insurance which was held with MMI.</p>	<p>Insurance reserve insufficient as only provided for current known potential liability.</p>	<p>Insurance reserve covers 100% towards known potential clawback levies.</p> <p>On-going monitoring of the situation.</p> <p>Level of insurance reserve reviewed.</p>			

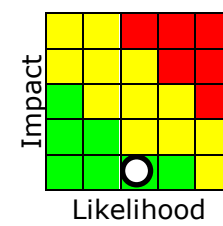
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
20. Increase in insurance claims numbers and/or cost.	Ministry of Justice reforms Departments settle claims without going through insurance and set precedent for claims being paid. Word gets round that claims are being settled. Solicitors looking for new areas to make claims Change in 'Ogden Discount Rate' (used in injury claims)	Financial loss. Claims being settled too high. Insurance cover invalidated. Premium increase.	Good record-keeping. Contact details for claims are on new intranet. Code of Financial Practice 14.4 Details of how to claim are on the website. Monitoring plus analysis of claims. Inspection regime – health and safety inspections. Responsive planned repairs. Code of Financial Practice training. Ensure ad-hoc updates provided to service area when significant claims are settled. All new starters automatically receive Code of Financial Practice training as part of the Meta Compliance. Quarterly reports to SMT on claims and incidences. (Insurance & Risk Officer – Ongoing.) Ensure inclusion in all service risk registers and/or service area plans. Deal with at RMG meetings. (Audit & Risk Manager – ongoing)			
21. Failure of insurance company.	Market conditions. Recession. Major disaster. Company has not been underwriting risks profitably.	No external insurance provision. Financial loss. Uncertainty. Need to arrange quickly alternative emergency cover that may be expensive and not as good.	Credit risk of insurer. Insurance reserves. Procurement process. External broker advice. Reserves. Companies logged with CreditSafe. Notified of changes in rating.			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
22. Council tax, NNDR and customer bills can't be issued or are delayed.	Postal Strike. IT failure. Failure of DMC / Print Services. Software supplier fails to deliver changes correctly or timely. Referendum. Delay in setting Council Tax. Legislative changes. Contractor failure.	Bills not paid by customers. Loss of revenue to Council and other Local Authorities (depends on timing) Cost implications of rectification. Bills not served in accordance with legislation. Cash flow issues. Software unable to cope with changes in timely fashion.	In-house production and dispatch of bills. IT support. System provider helpdesk. E-billing. Weekend working. Overtime. Treasury Management. Alternative year-end back-up plan (council tax setting delayed). Revert to contingency plan.			
23. Failure to pay Housing Benefits, delay in making payment, incorrect amount paid, failure to calculate and advise as to entitlement.	System failure. Staff shortage. Poorly trained staff. Increased workload. Introduction of universal credit and uncertainty thereof. Increase in staff turnover. DWP/Job Centre delays in sending information, or sending incorrect information. Legislative changes. Contractor failure.	Customers distressed due to rent arrears. Staff stressed. Absence and health issues. Financial loss. Tenants made homeless. Reputational. Software unable to cope with changes in timely fashion.	Weekly performance monitoring (service plan). Internal audit. Grant claim is externally audited. Forward Planning. Team Leaders monitor performance. Ongoing training. Checks by senior staff. Agency staff. Regular meetings with all relevant bodies, including DWP. Service restructured to meet new challenges.			

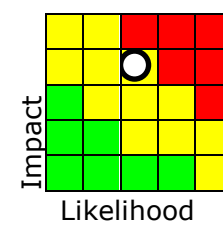
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
24. Qualified opinions; Late accounts; Late Government Returns.	<p>Dependence on key staff.</p> <p>High workload.</p> <p>Staff shortages e.g. long term sickness.</p> <p>Change of duties of staff.</p> <p>IT system failure.</p> <p>Guidance coming out late.</p> <p>Flawed guidance.</p> <p>Accounts challenged by members and public.</p> <p>Inadequate and inaccurate record-keeping.</p> <p>Early closure of accounts.</p> <p>Legislative requirements.</p> <p>Changes to Accounting Code of Practice.</p> <p>McCloud pension benefits ruling.</p>	<p>Inappropriate information.</p> <p>Reputation.</p> <p>CPA Governance failure.</p> <p>Absence and health issues for staff.</p> <p>Morale.</p> <p>Financial penalties.</p> <p>Increased audit fees.</p> <p>Staff time / additional pressure.</p>	<p>Timetables for closure of accounts and budget setting.</p> <p>Monitoring of key returns / reconciliations.</p> <p>Rotation in staff duties allows sharing of knowledge.</p> <p>Asset reconciliation work.</p> <p>System and processing controls (SPC).</p> <p>Audit liaison.</p> <p>Officer training.</p> <p>CPD.</p> <p>Workforce planning.</p> <p>Project set up to manage early closure.</p> <p>Use of temporary staff.</p> <p>Principal Accountant appointed to project-manage.</p> <p>Weekly progress reports to CMT and monthly reports to Executive.</p> <p>Fortnightly team meeting with principal accountants meeting on the other weeks.</p> <p>Guidance and templates have been issued for working papers.</p> <p>Journal authorisation process implemented.</p> <p>Audit dates have been agreed and staff availability confirmed.</p>	<p>Ensure detailed working papers. (Ongoing)</p> <p>Close down to agreed timetable. (ongoing)</p> <p>Review of processes post closedown. (By end September 2019)</p>	<p>Strategic Finance Manager</p> <p>Strategic Finance Manager</p> <p>Strategic Finance Manager</p>	
25. Shared service failure	<p>Termination by third party.</p>	<p>Loss of resilience.</p> <p>TUPE implications.</p> <p>Cost.</p> <p>Staff morale.</p> <p>Service failure.</p> <p>No fraud resource.</p>	<p>Memorandum of understanding.</p> <p>Letter of variation.</p> <p>Regular meetings.</p> <p>Notice period.</p> <p>Supplier has appropriate contingency arrangements.</p> <p>Separate risk register in place.</p>			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
26. Creditor payment error e.g. overpaying, paying twice.	Human error. Staff shortage. Duplicate invoices. System error / failure. Fraud (including fraudulent invoices).	Financial loss. Reputation. Additional workload. Loss of investment interest.	National Fraud Initiative. Staff knowledge. Staff cover. Code of financial practice. Separation of duties. Manuals. Reconciliations. Budget monitoring. System controls (to prevent fraud). Ongoing review of processes and process manuals. NAFN membership. Centralised processing of invoices. Ongoing Order training. Utility invoices now entered on Total and they go to FSTeam to process payment. Implementation of creditor payment auto-scanning system. Random sampling. System controls.			
27. Procurement of services by Finance non-compliant with legislation.	Finance Dept. not following Procurement Code of Practice. Staff shortage. Absence of key staff. Lack of staff training.	Financial loss. Litigation. Loss of reputation. Confidence of contractors. Delay in awarding contract. Failure to secure best value. Cost of rectification. Morale. Staff pressures. Successful challenge.	2 Procurement Business partners appointed. Procurement documentation in place. Procurement training. Procurement software in place. Procurement action plan. Working with other network groups e.g. centre of excellence. Insurance. Use of external expertise. Ongoing Order training. Ongoing reviews of contract register. Procurement partnership with WCC.			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
28. Council Tax set is illegal, late or incorrect.	Incorrect resolution. No estimates. Other preceptors don't deliver information or it is incorrect (e.g. typing error). Referendum. Reduction. Government changes to Regulations / Intervention.	Rebilling. Cost of rectification. Cash flow issues. Reputational damage. Legal challenge. Staff morale. Staff pressures.	Monitoring timetable. Budget timetable. Keeping up to date with developments. Checking of figures and papers. CTB1 reconciliation spreadsheet checks.			
29. Failure to produce cheques.	Failure of equipment. System failure. Inadequate stock level. Staff shortages.	Customers don't get paid causing hardship. Bad publicity. Dissatisfied customers. Staff morale.	Manual production of cheques. Overwhelming majority of customers now paid by BACS. More customers encouraged to receive payment by BACS payments. Make payment by CHAPS. Procedure notes. Use available alternative payment methods e.g. typing up cheque, going down to bank, obtaining cash.			
30. Inadequate Internal Audit Plan.	Limited or ineffective consultation. Incompetent head of internal audit. Senior management and/or Members misdirect resources.	Poorly prioritised assignments. Problems go undetected. Reduced assurances re Annual Governance Statement. More external audit – unable to rely on internal audits.	Extensive consultation process. Properly qualified and experienced head of internal audit. Senior management and Member support for internal audit function. Peer review of internal audit function. Professional standards.			
31. Internal Audit Plan substantially uncompleted.	Staff turnover. Diversion of resources. Poor productivity. No cooperation / management support.	Problems undetected. Reduced assurances re Annual Governance Statement. More external audit – unable to rely on internal audits.	Prioritisation mechanism. Buy in resources. Peer review action plan. Monitoring by Finance & Audit Scrutiny Committee.			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
32. Failure to collect all Council Tax income.	<p>Debts not being collected or controlled.</p> <p>Lack of clear debt recovery policy.</p> <p>Changes to Bailiff Charging Scheme.</p> <p>Council tax avoidance tactics.</p> <p>Poor procedures and / or lack of manual.</p> <p>Irregular monitoring.</p> <p>System failure.</p> <p>Lack of procedures manual.</p> <p>Change of customer circumstances e.g. unemployment.</p> <p>Loss of staff expertise.</p> <p>Diminishing knowledge base regarding specialist debts.</p> <p>Changes in Council Tax Reduction Scheme.</p> <p>Council Tax reforms.</p> <p>Economic environment.</p> <p>Increase in number of people claiming reduction.</p> <p>Council tax reduction scheme not fit for purpose.</p> <p>Growth in properties.</p> <p>Introduction of Universal Credit may have impact on collection of Council Tax (customer may, incorrectly, stop claiming CTR).</p>	<p>Incorrect message to debtors.</p> <p>Cash flow.</p> <p>Injustice.</p> <p>Financial loss.</p> <p>Complaints.</p> <p>Adverse publicity.</p> <p>Staff morale.</p> <p>Cost to Collection Fund.</p> <p>Many small debts to chase from people with limited resources.</p> <p>Liabilities are reduced and therefore less money is due to be collected than estimated.</p> <p>Backlog.</p> <p>Lower collection rates (as a result of late billing).</p>	<p>Formal monthly monitoring of outstanding debt and recovery rates.</p> <p>Recovery timetables.</p> <p>Documented control systems.</p> <p>Use of automated procedures in systems.</p> <p>Use of new enforcement agents.</p> <p>Property debts control group.</p> <p>Code of Financial practice.</p> <p>System / credit control.</p> <p>Internal audit.</p> <p>Careful authorisation of write-offs.</p> <p>Staff knowledge.</p> <p>Staff cover.</p> <p>Encourage pre-payment.</p> <p>Encourage direct debit payment.</p> <p>Ongoing review of procedures.</p> <p>Recovery and Corporate Debt Policies reviewed.</p> <p>Service restructured to meet challenges.</p> <p>Monitoring of backlog to enable proactive rather than reactive response.</p>	Implementing Open Channel. (By end of July 2019)	Exchequer Manager	 <p>Impact</p> <p>Likelihood</p>

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
33. Reduction in Business Rates Income.	<p>Economy. Decline in collection rates. Increase in Insolvencies. Business Rate avoidance tactics. Major companies relocating/closing. Business growth not matching RPI. Pooling partners may suffer loss in business rates income. Revaluations and appeals against RVs. CIL too high. Uncertain business rate retention scheme. Implementation of Local Plan. Planning decisions. Future changes to Business Rate Retention Scheme including:</p> <ul style="list-style-type: none"> <li>– re-set (worst case is that growth in tax base is taken off us)</li> <li>– Fair Funding Review (how much we need)</li> <li>– 75% Business Rate Retention Scheme.</li> </ul>	<p>Financial Loss. Unable to balance the budget. Incorrect medium term financial planning. Deter development. Risk of local plan being unsound or delayed.</p>	<p>Robust recovery procedures for collection of Business rates. Resilience in Business Rates Team through shared service with Stratford DC. Safety net payments through business rate retention scheme. Risk Sharing through Pooling with other authority/s. Monthly monitoring of Net Debit and co-ordination with Development Services of new properties coming on line- Visiting team undertake pro-active initiatives. "Yellow Box" initiative. (Or Electronic version.) Liaison with Development Services. Quarterly meetings with partner authorities. Healthy Business Rate Volatility Reserve. Consultants (Analyse Local) appointed to identify additional properties and future projections. Service restructured to meet challenges. Paper on Local Discount Scheme. New Admin. Post for Visiting Team.</p>			<p>Impact</p> <p>Likelihood</p>

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
34. Inadequate Procurement Guidance and Support.	Limited or ineffective consultation. Incompetent head of internal procurement. Senior management and/or Members misdirect resources. Staff turnover. Diversion of resources. Poor productivity. No co-operation / management support.	Poorly prioritised assignments. Problems go undetected. Procurement fraud (both internal and external) Non-compliant procurement activity. Poor value procurements and inefficient spend of public funds. Ineffective contracts. Unsuitable suppliers appointed. Reduced assurances re Contract Register. Reputational damage. Legal costs. Anticipated savings not achieved. Budget overrun.	Extensive consultation process. Properly qualified and experienced procurement lead. Shared service arrangement with WCC for strategic procurement and additional support. Senior management and Member support for internal procurement function. Procurement board. Procurement Champions (members group). Professional standards. Prioritisation mechanism. Monitoring by Finance & Audit Scrutiny Committee. Intranet guidance documents Interactive procurement workflow. Accessible contract register. Code of Procurement Practice 2018. Corporate Procurement Strategy 2019. Procurement Awareness training. Contract Management Principles training.	Senior Procurement Business Partner to become CIPS qualified by Jan 2020. Develop project monitoring application to allow project overview by the Procurement Board. (By Sept 2019) Develop self-serve online quotation mechanism within the e-procurement portal for procurements between £10,000-£24,999. (March 2020).	Senior Procurement Business Partner / Head of Finance  Senior Procurement Business Partner  Senior Procurement Business Partner	 <p>Impact</p> <p>Likelihood</p>

**Note:** This risk register comprises Finance's own service risks. The Council's significant financial risks are contained in the Significant Business Risk Register.

Contract Ref.	Department	Contract Title	Description	Supplier	Contract Owner	Start Date	End Date	Review Dates	Procurement Procedure	Agreement Type	Contract Value2	Annual Budget	Comments	Extension Option	DeedStoreRef	Electronic Copy of Contract?	Signed Hardcopy of Contract?
FI32DA1015	Council Tax/NNDR	Enforcement Officer Services	Enforcement Officer Services	Bristow and Sutor	David Leech	01/10/2015	30/09/2019	28/6/19	Framework: Direct Award	Contract/Service Agreement	£0	£0	Contract award lead by WDC utilising the Rotherham Metropolitan Borough Council Bailiff and Debt Collection Services Contract 12-012. 16/02/17 - 24 month extension being taken. Review being undertaken in 2018. David leach meeting with other authorities, happy with the contract. Review date reflects date specification due.	2 x 12 months	C5/2011, C39/2015	Yes	
FI31XXXXXX	Council Tax/NNDR	Civica OpenRevenues	Benefits, Council Tax and Business Rtaes	Civica UK Ltd	David Leech	21/10/2003	30/06/2022	1/8/19	Quotation (min 3 suppliers)	Contract/Service Agreement	£1,136,200	£87,400	Exemption granted to investigate system and undertake procurement exercise. VEAT issued.	No	C15/2014, C15/2015	Yes	
FI44DA0918	Procurement	Procurement Apprenticeship	CIPS Level 4 Qualification for Procurement Business Partner Post	Encompass Development	Rebecca Reading	01/09/2018	30/08/2020	Jan 2020	Exemption	Contract/Service Agreement	£9,000	£9,000		No		Yes	No
FI12LV0414	Audit and Risk	Insurance Broker	Brokerage services to the Council for insurance	Gallagher Heath	Christine O'Rourke	01/04/2014	31/03/2020	01/12/2019	Non-OJEU Tender	Contract/Service Agreement	£21,609	£2,800	Open: Published Invitation to Tender. Contract Value includes an uplift for each financial year and an additional fee for supporting the tender process.	Option to extend for final 2X12 month periods taken 2018	C33/2014		Yes
FI41DA0418	Finance	Certification Audits	Audit of grant claims	Grant Thornton UK LLP	Mike Snow	01/04/2018	31/03/2020	30/11/2019	Framework: Direct Award	Contract/Service Agreement	£33,100	£16,550	2018/19 Audit will be carried out in Summer/Autumn 2019, hence initial review late 2019.	Option to extend to 2020/21.		Yes	No
FI39CF1217	Finance	External Audit	External Audit	Grant Thornton via PSAA	Mike Snow	01/04/2018	31/03/2020	01/01/2020	Shared Service	SLA with other orgs	£206,450	£41,290	Whilst we pay GT for this, we are not the contracting authority, and do not hold or negotiate the contract. Contract signed and held by PSAA. Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014. PSAA is a company limited by guarantee without share capital and is a subsidiary of the Improvement and Development Agency (IDeA) which is wholly owned by the LGA. In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA formally invited all eligible principal local government bodies to become opted-in authorities. The length of the appointing period covered by the opt-in invitation is for the audit of the accounts for the five consecutive financial years from 1 April 2018.	Option to extend until 2021		Yes	No
FI16OJ1214	Accountancy	Banking Services	Banking Services	HSBC	Andrew Rollins	01/03/2015	29/02/2020	01/07/2019	OJEU	Contract/Service Agreement	£123,460	£24,692	Open: Published Invitation to Tender. Contracts Signed	further 5 years	C6/2015		Yes
FI11CO0314	Council Tax/NNDR	Business Rates 'Analyse' Software	Software licence for analysis of Business Rates appeals and potential new development	Inform CPI	David Leech	01/01/2015	31/12/2019	1/10/19	Collaborative Agreement	Contract/Service Agreement	£12,000	£3,000	Additional cost based on performance and identification of new Business Rates development. We will be charged 10% of any new rateable value identified by 'Analyse Local'. This is in addition to the contract value. Collaboration contract lead by North Works Borough Council and used by all Warwickshire Councils & Coventry. Updated 11/06/15 - exempt from further competition and approval by Executive as per clause 6.4.1 of COPP. Jan 2018: Extended for a further year. Procurement to look into for reprocurring with David leech in march 2019.	To be reviewed after 12 months - Reviewed and signed for additional 2 years	A25		Yes
FI14DA0914	Procurement	In-Tend Eprocurement system	Provision of an online shared service eprocurement system. Shared between councils within Coventry, Solihull and Warwickshire	In-Tend	Rebecca Reading	01/09/2013	31/10/2022	31/10/2021	Collaborative Agreement	Contract/Service Agreement	£20,000	£2,000	Shared service provision with councils within Coventry, Solihull and Warwickshire. Although each LA has its own contract with In-Tend. Joint decision will be made to continue with the service provision. Agreement held with Solihull MBC as the lead Authority. To complete exemption to extend 5 years along with other LAs. Extension via CCN, end date for all councils to be 31/10/22. Original end date of 31/08/18 to be changed to new end date.	No		Yes	No
FI37DA0417	Audit and Risk	LACHS	Insurance claim system	J C Applications Development	Christine O'Rourke	01/07/2017	30/06/2019	April 2019	Exemption	Contract/Service Agreement	£6,200	£3,100	Extension being negotiated ahead of contract end date.	2years with option to extend 2x1year		Yes	No
FI24XXXXXX	Accountancy	Finance Lease for Dog Warder	Dog Warden Van	JCB (lease agreement)	Richard Wilson	10/03/2014	09/03/2022	09/03/2022	Framework: Mini Competition	Contract/Service Agreement	£19,536	£2,442	Health & Community Protection procured the van. Finance arranged the financing of the purchase	Lease can be extended into a secondary rental period with no end date	C2/2011		Yes
FI34FDA0916	Accountancy	VAT and All Taxes helpline	VAT advice and one meeting a year	KPMG	Andrew Rollins	01/04/2010	31/03/2020	01/09/2019	Quotation (min 1 supplier)	Contract/Service Agreement	£1,800	£1,800	Procurement of Dog Van - Health & Community Protection. Finance for arranging finance. Market testing carried out 2016 to establish best value being achieved. Service provided on a rolling basis, to be reviewed every year. 22/11/17: Procurement Advice - Go back out to market 2020. KPMG still cheapest 21/3/2018	To be reviewed annually	C39/2016		Yes
FI17DA0115	Accountancy	Treasury Management Services	Treasury Management Services	Link Group - Treasury Services	Andrew Rollins	06/01/2015	05/01/2020	1/8/19	Framework: Direct Award	Contract/Service Agreement	£35,250	£9,500	Total contract sum increased by £7,500 to reflect fee for additional services in respect of Corporate Equity Fund selection.	Option to extend for a further 2 years at year 4 £9750 year 5 £9750	C43/2015		Yes
FI18XXXXXX	Accountancy	Terrarius Asset Register	Annual support and maintenance of fixed assets register	Logotech	Andrew Rollins	01/07/2009	30/04/2021	30/09/2019	Quotation (min 3 suppliers)	Contract/Service Agreement	£13,500	£1,500	We are committed to annual support & maintenance charges for as long as we continue to use the Asset Register. To be reviewed as part of the FMS procurement exercise 2018-2020	Rolling contract, renewal decision taken each year		Yes	No
FI02CF0411	Benefits	Credit Checks & Fraud Inform	Financial credit checks on companies and individuals for Council contracts or benefit fraud investigations	NAFN c/o Tameside MBC	Andrea Wyatt	01/04/2011	31/03/2020	01/01/2020	Collaborative Agreement	SLA with other orgs	£19,000	£2,500	Part of new financial systems to be procured. This is a membership based contract terminated by agreement by 3 months notice. Membership is renewed annually. As a membership, this is exempt from the code of procurement practice.	Ongoing - 3 months notice required from either party	A35		Yes
FI38CO0218	Benefits	Corporate Fraud Investigation	Corporate Fraud Investigations	Oxford City Council	Andrea Wyatt	01/04/2018	01/04/2023	01/03/2020	Shared Service	SLA with other orgs	£265,000	£53,000	SLA agreement with Oxford City Council to provide two officers to carry out Fraud Investigations on behalf of Warwick District Council. Warwick District Council will contribute towards the salaries of the 2 officers provider. This agreement has no end date, but will be reviewed annually.	Review annually	A88		Yes
CO19DA0417	FS Team	Mobile Services for Warwick Council	Mobile phones and devices	Telefonica UK Ltd (O2)	Jon Dawson	25/04/2017	24/04/2021	01/04/2020	Framework: Direct Award	Contract/Service Agreement	£31,524	£15,762	Contract was awarded through a framework for convenience, but negotiations have produced an offer from O2 that is consistent with the WDC digital strategy and that represents significantly better value for money than the previous contract. Initial period is 24 months with an option to extend by a further 24 months.	24 months		Yes	No
NS41CF0816	Benefits	Translation services	Written, face to face & telephone translation	The Big Word (Pan Govt)	Andrea Wyatt	05/08/2016	28/04/2020	1/8/19	Framework: Direct Award	Contract/Service Agreement	£2,000	£1,000	1 year extension option taken taking end date to April 2020.	1 Year only	C25/2016		Yes
FI38CO0118	Audit and Risk	ICT Internal Audit	ICT internal audit service with scope for non-ICT audit work as required	TIAA Ltd via WCC framework	Ian Davy	01/04/2018	31/03/2022	02/01/2020	Collaborative Agreement	Contract/Service Agreement	£764,000	£21,800	The provider has been awarded to all Lots on the framework. The contract is provided via a collaboration agreement with Warwickshire County Council.  Procurement was lead by WCC, though WDC was involved in the evaluation. Although the total contact value is £764,000, the WDC portion of that is £87,000. Review carried out 02/01/2019, happy with the contract new review date set at 02/01/2020.	No		Yes	No
IT12NK0410	Accountancy	FMS system	FMS system	Totalmobile Computacen	Andy Crump	01/04/2006	30/04/2021	1/8/19	OJEU	Contract/Service Agreement	£522,000	£22,000	Open: Published Invitation to Tender. At time inflation was agreed at Average earnings Index from Bank of England. Ad hoc services agreed as an when.  Also includes payments to Northgate for PARIS as Northgate is a sub contractor to Totalmobile.  Project to reprocure new financial systems, with Project Manager appointed. Part of 2019/20 Service Plan.	Ongoing - 12 months notice required from either party	C3/2005	Yes	Yes
FI40DA0418	Procurement	Procurement Strategic Partners	Strategic Procurement Support	Warwickshire County Council	Mike Snow	01/04/2018	31/03/2023	31/3/2020	Shared Service	SLA with other orgs	£90,000	£45,000	Agreed by Executive in April to extension to arrangement until 2023	No		Yes	No
FI10OJ1112	Audit and Risk	Insurance Warwick District Council	Council wide insurances	Zurich Municipal	Christine O'Rourke	01/11/2012	30/10/2019	01/9/2019	OJEU	Contract/Service Agreement	£3,642,800	£520,400	Re-procurement in process.	No	C14/2002		Yes
FI45DA0619	Council Tax/NNDR	Civica Appeals Processing	Revenues and Benefits transaction processing services	Civica	Andrea Wyatt	01/06/2019	31/05/2020	01/03/2020	Framework: Direct Award	Contract/Service Agreement	£10,000	£10,000	Direct award through Kingston Framework. Drawdown contract, used when needed. Rolling annual contract if needed.	Drawdown contract, option to extend on annual rolling basis		Yes	No

	<b>LATEST BUDGET 2018/19 £</b>	<b>ACTUAL 2018/19 £</b>	<b>ORIGINAL BUDGET 2019/20 £</b>
<b><u>FINANCE</u></b>			
S1410 FINANCE MANAGEMENT	-	-	-
S1417 PROCUREMENT	100	-	-
S1418 FINANCIAL SERVICES TEAM	400	-	-
S1421 MOBILE PHONE HOLDING CODE	-	(37)	-
S1425 ACCOUNTANCY	3,200	(15)	39,000
S1440 NON-DISTRIBUTED COSTS	163,500	158,734	162,400
S1460 TREASURY MANAGEMENT	91,700	21,684	86,800
S1461 CONTINGENCY BUDGETS	59,100	-	323,100
S1465 CORPORATE MANAGEMENT	764,700	794,667	714,900
S1468 PARISH COUNCIL SUPPORT	35,300	35,037	3,400
S1578 AUDIT & RISK	(2,900)	-	-
S2315 ASSISTED TRAVEL PASSES	-	70	-
S3050 REVENUES	1,010,000	926,399	907,300
S3100 ONE STOP SHOPS	(200)	-	-
S3200 RECEPTION FACILITIES & LEAMINGTON OSS	(100)	-	-
S3250 BENEFITS	590,900	290,010	674,700
S3450 CUSTOMER SERVICE CENTRE	7,000	6,951	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL FINANCE</b>	<b>2,722,700</b>	<b>2,233,500</b>	<b>2,911,600</b>
	<hr/>	<hr/>	<hr/>
<b><u>SUBJECTIVE ANALYSIS:</u></b>			
<b><u>EXPENDITURE:</u></b>			
Employees	3,426,100	3,367,040	3,476,500
Transport	9,700	13,472	9,700
Supplies and Services	778,200	669,187	797,500
Third Party Payments	91,300	65,997	77,400
Transfer Payments (Housing Benefits)	25,293,000	27,273,393	25,293,000
Support Services	2,473,200	2,431,217	2,384,500
Capital Charges	52,600	41,013	51,700
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURE</b>	<b>32,124,100</b>	<b>33,861,319</b>	<b>32,090,300</b>
	<hr/>	<hr/>	<hr/>
<b><u>INCOME:</u></b>			
Government Grants	(26,267,200)	(28,446,634)	(26,150,000)
Other Grants and Contributions	(88,100)	(90,549)	(90,200)
Other Income	(13,700)	(80,278)	(13,700)
Fees and Charges	(360,000)	(409,021)	(360,000)
Rents	-	(27)	-
Recharges	(2,672,400)	(2,601,310)	(2,564,800)
	<hr/>	<hr/>	<hr/>
<b>TOTAL INCOME</b>	<b>(29,401,400)</b>	<b>(31,627,819)</b>	<b>(29,178,700)</b>
	<hr/>	<hr/>	<hr/>
<b>NET EXPENDITURE</b>	<b>2,722,700</b>	<b>2,233,500</b>	<b>2,911,600</b>
	<hr/>	<hr/>	<hr/>

	<b>LATEST BUDGET 2018/19 £</b>	<b>ACTUAL 2018/19 £</b>	<b>ORIGINAL BUDGET 2019/20 £</b>
<b><u>S1410 FINANCE MANAGEMENT</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	116,500	119,312	119,100
Transport	300	446	300
Supplies and Services	7,700	7,263	7,400
Third Party Payments	-	79	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT EXPENDITURE</b>	<b>124,500</b>	<b>127,100</b>	<b>126,800</b>
Support Services	61,900	44,933	61,900
Recharges	(186,400)	(172,033)	(188,700)
	<hr/>	<hr/>	<hr/>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**S1417 PROCUREMENT**

<b>DIRECT EXPENDITURE</b>			
Employees	87,200	92,887	98,400
Transport	800	542	800
Supplies and Services	4,100	4,567	4,100
Third Party Payments	25,700	15,731	23,700
	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT EXPENDITURE</b>	<b>117,800</b>	<b>113,727</b>	<b>127,000</b>
<b>DIRECT INCOME</b>			
Other Grants and Contributions	-	(1,800)	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT INCOME</b>	<b>-</b>	<b>(1,800)</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>
<b>NET DIRECT EXPENDITURE / (INCOME</b>	<b>117,800</b>	<b>111,927</b>	<b>127,000</b>
Support Services	40,100	30,334	40,200
Recharges	(157,800)	(142,261)	(167,200)
	<hr/>	<hr/>	<hr/>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>100</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<b>LATEST BUDGET 2018/19 £</b>	<b>ACTUAL 2018/19 £</b>	<b>ORIGINAL BUDGET 2019/20 £</b>
<b><u>S1418 FINANCIAL SERVICES TEAM</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	200,500	206,935	211,700
Transport	100	-	100
Supplies and Services	9,400	9,305	9,000
	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT EXPENDITURE</b>	<b>210,000</b>	<b>216,240</b>	<b>220,800</b>
	<hr/>	<hr/>	<hr/>
<b>DIRECT INCOME</b>			
Other Grants and Contributions	(8,500)	(9,833)	(8,500)
	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT INCOME</b>	<b>(8,500)</b>	<b>(9,833)</b>	<b>(8,500)</b>
	<hr/>	<hr/>	<hr/>
<b>NET DIRECT EXPENDITURE / (INCOME</b>	<b>201,500</b>	<b>206,407</b>	<b>212,300</b>
	<hr/>	<hr/>	<hr/>
Support Services	56,600	64,966	50,500
Recharges	(257,700)	(271,373)	(262,800)
	<hr/>	<hr/>	<hr/>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>400</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>

**S1421 MOBILE PHONE HOLDING CODE**

<b>DIRECT EXPENDITURE</b>			
Supplies and Services	-	(37)	-
	<hr/>	<hr/>	<hr/>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>-</b>	<b>(37)</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>

	<b>LATEST BUDGET 2018/19 £</b>	<b>ACTUAL 2018/19 £</b>	<b>ORIGINAL BUDGET 2019/20 £</b>
<b><u>S1425 ACCOUNTANCY</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	680,200	701,031	659,500
Transport	800	495	800
Supplies and Services	70,600	88,936	53,100
Third Party Payments	4,800	4,840	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT EXPENDITURE</b>	<b>756,400</b>	<b>795,302</b>	<b>713,400</b>
	<hr/>	<hr/>	<hr/>
<b>DIRECT INCOME</b>			
Other Income	-	(17)	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL DIRECT INCOME</b>	<b>-</b>	<b>(17)</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>
<b>NET DIRECT EXPENDITURE / (INCOME</b>	<b>756,400</b>	<b>795,285</b>	<b>713,400</b>
	<hr/>	<hr/>	<hr/>
Recharges	(933,100)	(951,201)	(851,300)
Support Services	179,900	155,901	176,900
	<hr/>	<hr/>	<hr/>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>3,200</b>	<b>(15)</b>	<b>39,000</b>
	<hr/>	<hr/>	<hr/>

**Change from Latest Budget 2018/19:**

Employees

Additional Project Posts created	-	72,000
Temporary posts dropping out	-	(56,200)
Staffing vacancies / delays in new posts starting	(20,700)	-

Supplies and Services

Costs of GDPR compliance	10,000	(10,000)
Treasury Management Consultancy contract	10,000	-

	LATEST BUDGET 2018/19 £	ACTUAL 2018/19 £	ORIGINAL BUDGET 2019/20 £
<b><u>S1440 NON-DISTRIBUTED COSTS</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	130,300	137,443	130,100
<b>TOTAL DIRECT EXPENDITURE</b>	<b>130,300</b>	<b>137,443</b>	<b>130,100</b>
Capital Charges	52,600	41,013	51,700
Recharges	(19,400)	(19,722)	(19,400)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>163,500</b>	<b>158,734</b>	<b>162,400</b>

Employees

This is the proportion of the Council's pensions contributions which actuaries certify to be attributable to back funding (i.e. current contributions towards the cost of increases in pensions earned by past service).

**S1460 TREASURY MANAGEMENT**

<b>DIRECT EXPENDITURE</b>			
Supplies and Services	30,800	26,482	30,800
Third Party Payments	2,200	-	2,200
<b>TOTAL DIRECT EXPENDITURE</b>	<b>33,000</b>	<b>26,482</b>	<b>33,000</b>
<b>DIRECT INCOME</b>			
Other Income	-	(64,856)	-
<b>TOTAL DIRECT INCOME</b>	<b>-</b>	<b>(64,856)</b>	<b>-</b>
<b>NET DIRECT EXPENDITURE / (INCOME)</b>	<b>33,000</b>	<b>(38,374)</b>	<b>33,000</b>
Support Services	61,900	62,831	57,000
Recharges	(3,200)	(2,773)	(3,200)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>91,700</b>	<b>21,684</b>	<b>86,800</b>

**Change from Latest Budget 2018/19:**

Treasury Management / Bank Reconciliation write-offs	(65,900)	-
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**S1461 CONTINGENCY BUDGETS**

<b>DIRECT EXPENDITURE</b>			
Employees	55,800	-	86,100
Supplies and Services	3,300	-	237,000
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>59,100</b>	<b>-</b>	<b>323,100</b>

Contingency Budgets are allocated to services as requests are approved.

**2019/20 Contingencies:**

Apprenticeship Scheme (Unallocated amount out of a £150,000 budget)	86,100
General Contingency Budget	237,000

	LATEST BUDGET 2018/19 £	ACTUAL 2018/19 £	ORIGINAL BUDGET 2019/20 £
<b><u>S1465 CORPORATE MANAGEMENT</u></b>			
<b>DIRECT EXPENDITURE</b>			
Supplies and Services	77,500	113,392	58,000
<b>TOTAL DIRECT EXPENDITURE</b>	<b>77,500</b>	<b>113,392</b>	<b>58,000</b>
Support Services	705,300	723,075	675,000
Recharges	(18,100)	(41,800)	(18,100)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>764,700</b>	<b>794,667</b>	<b>714,900</b>

**Change from Latest Budget 2018/19:**

External Audit Fees	36,407	(19,500)
External Audit Fees recharged out of General Fund	(23,700)	-

**S1468 PARISH COUNCIL SUPPORT**

<b>DIRECT EXPENDITURE</b>			
Supplies and Services	31,700	31,454	-
<b>TOTAL DIRECT EXPENDITURE</b>	<b>31,700</b>	<b>31,454</b>	<b>-</b>
Support Services	3,600	3,583	3,400
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>35,300</b>	<b>35,037</b>	<b>3,400</b>

Grant towards mitigating the effects of the Council Tax Reduction Scheme on parish and town councils being phased out.

	LATEST BUDGET 2018/19 £	ACTUAL 2018/19 £	ORIGINAL BUDGET 2019/20 £
<b><u>S1578 AUDIT &amp; RISK</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	244,900	243,413	268,800
Transport	1,100	397	1,100
Supplies and Services	31,100	30,765	17,500
Third Party Payments	5,000	2,433	5,000
<b>TOTAL DIRECT EXPENDITURE</b>	<b>282,100</b>	<b>277,008</b>	<b>292,400</b>
<b>DIRECT INCOME</b>			
Other Income	(13,700)	(12,204)	(13,700)
<b>TOTAL DIRECT INCOME</b>	<b>(13,700)</b>	<b>(12,204)</b>	<b>(13,700)</b>
<b>NET DIRECT EXPENDITURE / (INCOME</b>	<b>268,400</b>	<b>264,804</b>	<b>278,700</b>
Support Services	61,800	64,224	61,500
Recharges	(333,100)	(329,028)	(340,200)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>(2,900)</b>	<b>-</b>	<b>-</b>

**Change from Latest Budget 2018/19:**

Employees

Post held vacant now filled - work previously contracted out 13,600 13,600

Supplies and Services

Contracted out audits now done in-house (13,600) (13,600)

**S2315 ASSISTED TRAVEL PASSES**

<b>DIRECT EXPENDITURE</b>			
Third Party Payments	-	1,540	-
<b>TOTAL DIRECT EXPENDITURE</b>	<b>-</b>	<b>1,540</b>	<b>-</b>
<b>DIRECT INCOME</b>			
Other Income	-	(1,470)	-
<b>TOTAL DIRECT INCOME</b>	<b>-</b>	<b>(1,470)</b>	<b>-</b>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>-</b>	<b>70</b>	<b>-</b>

	LATEST BUDGET 2018/19 £	ACTUAL 2018/19 £	ORIGINAL BUDGET 2019/20 £
<b><u>S3050 REVENUES</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	810,200	791,060	786,300
Transport	1,900	1,938	1,900
Supplies and Services	186,000	175,972	128,900
Third Party Payments	25,800	22,248	25,800
<b>TOTAL DIRECT EXPENDITURE</b>	<b>1,023,900</b>	<b>991,218</b>	<b>942,900</b>
<b>DIRECT INCOME</b>			
Government Grants	(214,400)	(212,756)	(214,400)
Other Grants and Contributions	(79,600)	(76,447)	(81,700)
Fees and Charges	(360,000)	(408,981)	(360,000)
<b>TOTAL DIRECT INCOME</b>	<b>(654,000)</b>	<b>(698,184)</b>	<b>(656,100)</b>
<b>NET DIRECT EXPENDITURE / (INCOME</b>	<b>369,900</b>	<b>293,034</b>	<b>286,800</b>
Support Services	640,100	633,365	620,500
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>1,010,000</b>	<b>926,399</b>	<b>907,300</b>

**Change from Latest Budget 2018/19:**

Supplies and Services

Change in usage of Business Rates consultations	(10,000)	25,000
One-off Business Rates Consultancy in 2018/19	-	(60,000)
One-off IT costs in 2018/19	-	(10,000)

Fees and Charges

Increased Court Fees recovered from February 2019 Court	(60,400)	-
Reduction in Single Occupancy Penalty Charges received	11,400	-

	LATEST BUDGET 2018/19 £	ACTUAL 2018/19 £	ORIGINAL BUDGET 2019/20 £
<b><u>S3100 ONE STOP SHOPS</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	185,400	183,343	191,700
Transport	700	62	700
Supplies and Services	52,700	954	2,700
<b>TOTAL DIRECT EXPENDITURE</b>	<b>238,800</b>	<b>184,359</b>	<b>195,100</b>
<b>DIRECT INCOME</b>			
Other Income	-	(706)	-
Rents	-	(27)	-
<b>TOTAL DIRECT INCOME</b>	<b>-</b>	<b>(733)</b>	<b>-</b>
<b>NET DIRECT EXPENDITURE / (INCOME)</b>	<b>238,800</b>	<b>183,626</b>	<b>195,100</b>
Support Services	22,600	17,557	22,600
Recharges	(261,600)	(201,183)	(217,700)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>(200)</b>	<b>-</b>	<b>-</b>

**Change from Latest Budget 2018/19:**

Supplies and Services

Digital Transformation 2018/19 slipped to 2019/20 (Earmarked Reserve requested) *	(50,000)	-
Digital Transformation costs in 2018/19 only	-	(50,000)

\* Earmarked Reserves are not included within Original Budgets

	LATEST BUDGET 2018/19 £	ACTUAL 2018/19 £	ORIGINAL BUDGET 2019/20 £
<b><u>S3200 RECEPTION FACILITIES &amp; LEAMINGTON OSS</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	167,300	150,437	165,000
Transport	300	-	300
Supplies and Services	14,700	1,642	14,700
	<hr/>	<hr/>	<hr/>
<b>GROSS EXPENDITURE</b>	<b>182,300</b>	<b>152,079</b>	<b>180,000</b>
Support Services	179,500	190,901	176,100
Recharges	(361,900)	(342,980)	(356,100)
	<hr/>	<hr/>	<hr/>
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>(100)</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>

**Change from Latest Budget 2018/19:**

<u>Employees</u>		
Staff vacancies	(12,400)	-
<u>Supplies and Services</u>		
IT costs - not able to implement self scan solution	(13,000)	-

	<b>LATEST BUDGET 2018/19 £</b>	<b>ACTUAL 2018/19 £</b>	<b>ORIGINAL BUDGET 2019/20 £</b>
<b><u>S3250 BENEFITS</u></b>			
<b>DIRECT EXPENDITURE</b>			
Employees	747,800	741,179	759,800
Transport	3,700	9,592	3,700
Supplies and Services	258,600	178,492	234,300
Third Party Payments	20,800	12,175	20,700
Housing Benefits	25,293,000	27,273,393	25,293,000
<b>TOTAL DIRECT EXPENDITURE</b>	<b>26,323,900</b>	<b>28,214,831</b>	<b>26,311,500</b>
<b>DIRECT INCOME</b>			
Government Grants	(26,052,800)	(28,233,878)	(25,935,600)
Other Grants and Contributions	-	(2,469)	-
Other Income	-	(1,025)	-
Fees and Charges	-	(40)	-
<b>TOTAL DIRECT INCOME</b>	<b>(26,052,800)</b>	<b>(28,237,412)</b>	<b>(25,935,600)</b>
<b>NET DIRECT EXPENDITURE / (INCOME)</b>	<b>271,100</b>	<b>(22,581)</b>	<b>375,900</b>
Support Services	459,900	439,547	438,900
Recharges	(140,100)	(126,956)	(140,100)
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>590,900</b>	<b>290,010</b>	<b>674,700</b>

**Change from Latest Budget 2018/19:**

Housing Benefits - Change in numbers of claimants

- Rent Allowances (private tenants)	1,300,100	-
- Rent Rebates (Council tenants)	680,800	-

Government Grants

- Increased subsidy in respect of the additional costs above	(2,186,000)	-
- Reduction in administration subsidy	-	76,300
- One-off funding in 2018/19 only		40,400

**S3450 CUSTOMER SERVICE CENTRE**

<b>DIRECT EXPENDITURE</b>			
Third Party Payments	7,000	6,951	-
<b>NET (INCOME) / EXPENDITURE TO SUMMARY</b>	<b>7,000</b>	<b>6,951</b>	<b>-</b>

Residual costs of a discontinued shared service with WCC now brought back in-house.

## **Finance**

### **Service Area Plan Performance 2018/19**

#### **1. Background**

The customers of Finance can be broadly categorised in three ways:-

##### *Corporate/Strategic*

Finance is responsible for managing the Council's overall finances. This includes maintaining the Medium Term Financial Strategy, Budget setting and monitoring expenditure/income against Budget.

##### *External customers*

These customers include all those responsible for the payment of council tax and business rates, for which there are approximately 64,700 and 5,400 respective properties (as at March 2019). Housing Benefit claimants currently total 5,900 (value £26m pa), with there being 6,450 (value £6m pa) households in receipt of Council Tax Reduction (previously council tax benefit).

Finance also administers the Rural and Urban Capital Initiative Scheme for which for which the budget was agreed at £150,000 for new grants to be awarded in 2018/19.

##### *Internal customers*

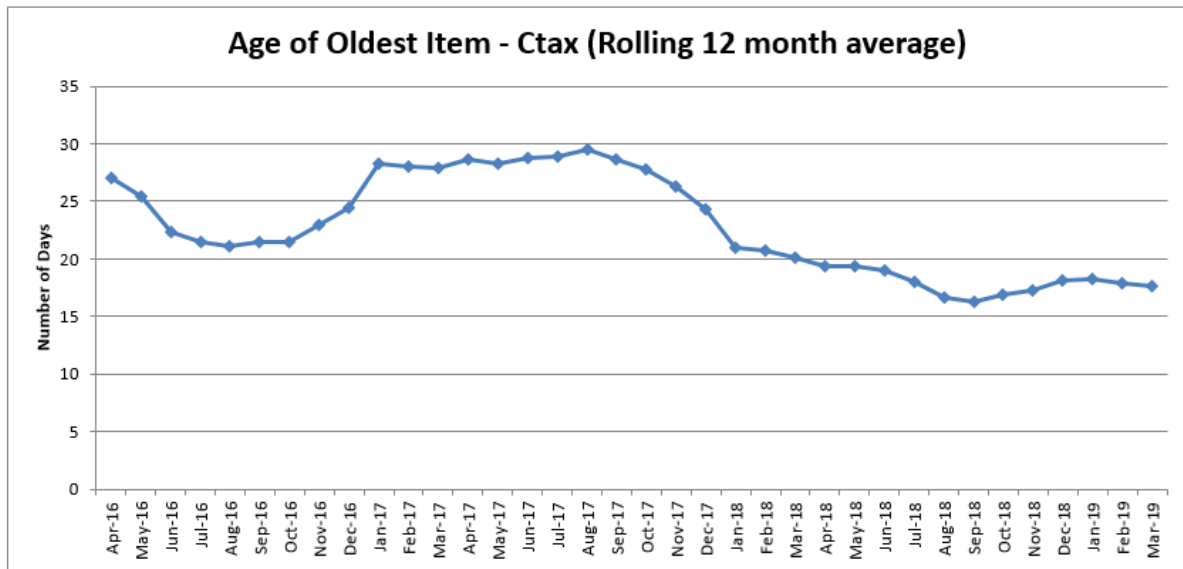
Much of Finance is a support service, primarily providing services to the Council's officers and councillors. The services here include:-

- Accountancy (including Budgeting and Treasury Management)
- Internal Audit and Risk
- Procurement
- Payments and sundry debtors

#### **2. Performance**

##### *Council Tax/Business Rates*

The processing time for council tax correspondence has improved in the current year from 20 days in March 2018 to 18 in March 2019 (based on a rolling 12-month basis, to remove the impact of seasonal swings). Whilst there is some annual seasonality in these figures, this represents a significant improvement compared to the peak of 48 days in June 2015. Recent staff turnover has impacted upon the service in recent months. The position for the last three years is shown in the chart overleaf:-



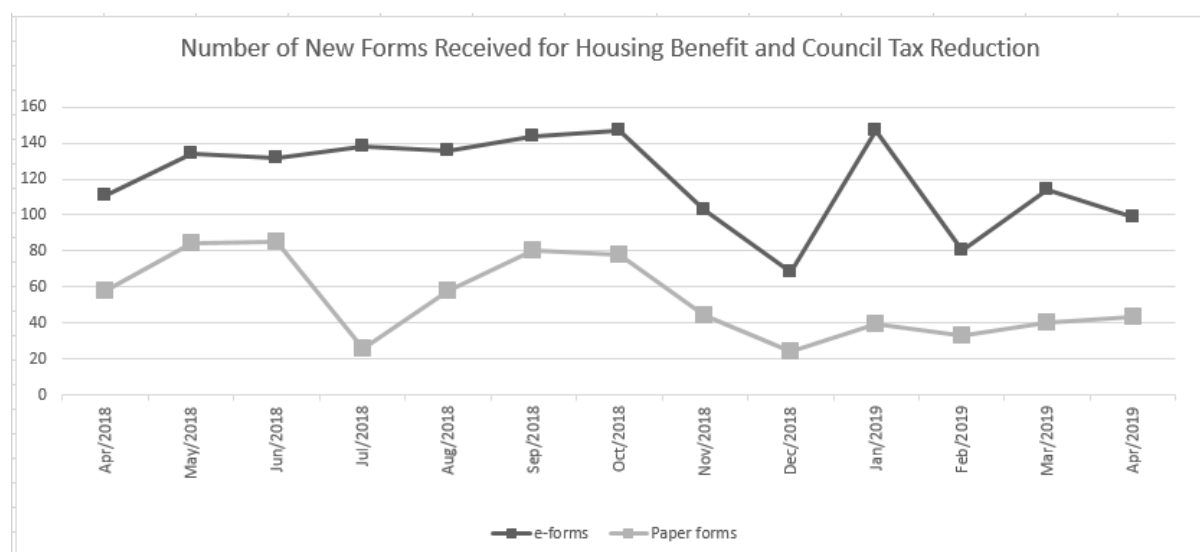
The improvement reflects the dedication of the team and the many initiatives. These include:-

- The change to generic working within Council Tax/Business Rates has helped to reduce processing times. This was piloted ahead of being agreed by Employment Committee in January.
- Staff doing some weekend and out of hours working.
- Changing the way we process the work queue to minimise repeat callers.
- The Customer Service Team, who provide a more specialised service and provide processing support during quiet times.
- In line with the Digital by Design agenda, a project is underway to provide residents with the ability to "self serve" in respect of their council tax account. Open Channel will enable customers to complete and submit a series of on line forms to inform the Council of a property move which will, subject to data validation, automatically update the account without the need for back office intervention. This project is currently being piloted. However, it is not expected that this service will have an instant impact on the workload of the Service, but as the number of properties in the District continues to grow over future years and customers increasing expect to be able to self-serve, Open Channel will increase the processing capacity of the service.

#### *Housing Benefits/Council Tax Reduction*

The introduction of "E-Forms" for new housing benefit/council tax reduction claims and notification of changes in circumstances has proved a success. The table below shows the proportion of new claims now being received electronically.

## New Benefits Claims



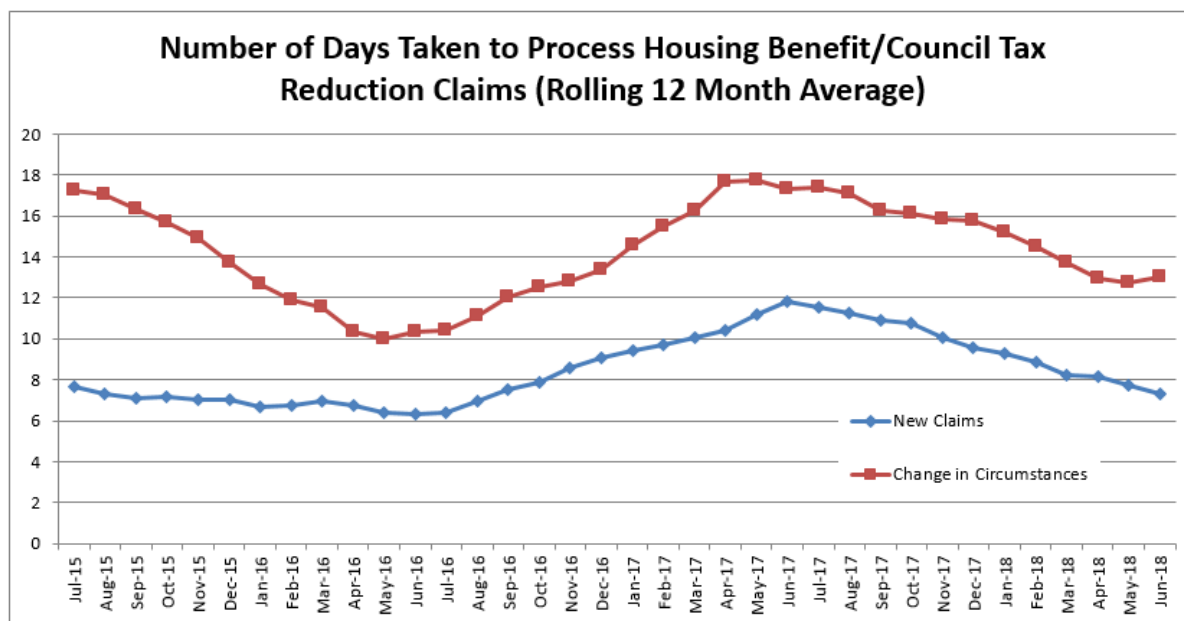
There are many benefits associated with the process, for the customer and the Council:-

- The system tells the claimant what specific documentation is required to support the claim, and how this is to be provided.
- Claims are quicker to submit.
- There is no scanning required of the claim.
- Data entry is greatly reduced.
- With claims being more complete, the requests for further information from claimants are greatly reduced.
- Claims are processed and benefit awarded much faster.

These improvements all amount to improved customer service and efficiencies for the Council. Greater promotion of the E-forms is underway, along with more training to ensure that Reception/One Stop Shop staff actively encourage on-line claims. With WDC responsibility for Front Line staff and One-Stop Shops under the Benefits and Fraud Manager (alongside the Revs/Bens Customer Service Team), it is envisaged the service will be better prepared to support the roll out of Universal Credit. Currently, working age claimants must now apply for Universal Credit. However, a date is still awaited for when the current working age Housing Benefit claimants will migrated on to Universal Credit. Pensioner aged claimants continue to apply for Housing Benefit as they are not eligible for Universal Credit.

The time taken to process benefits claims is actively monitored as shown below. The recent increases in processing time have again resulted from staff turnover. Following a recruitment campaign, several new appointments have been made, with these new members of staff undergoing an intensive training process. In addition, over the last year, the amount of work on current claims has increased

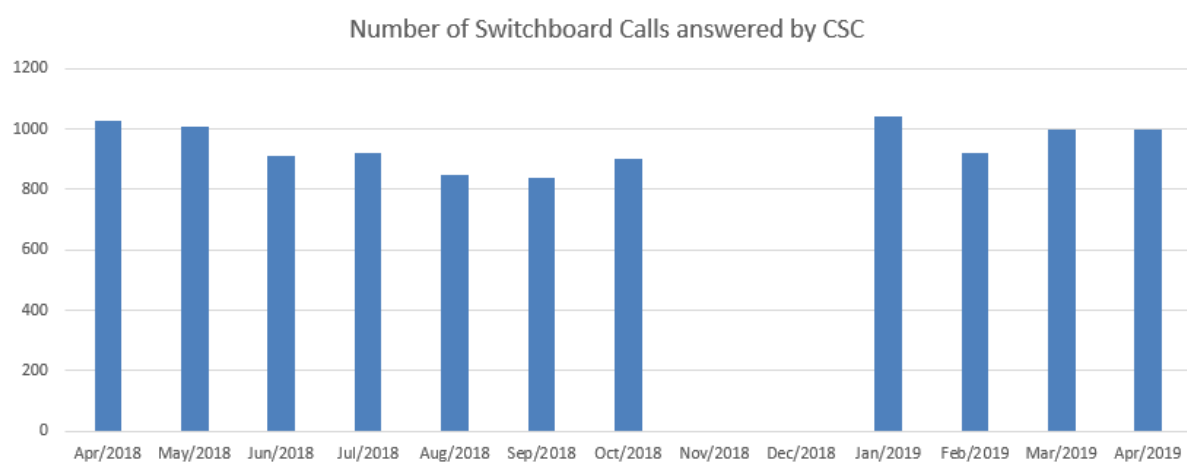
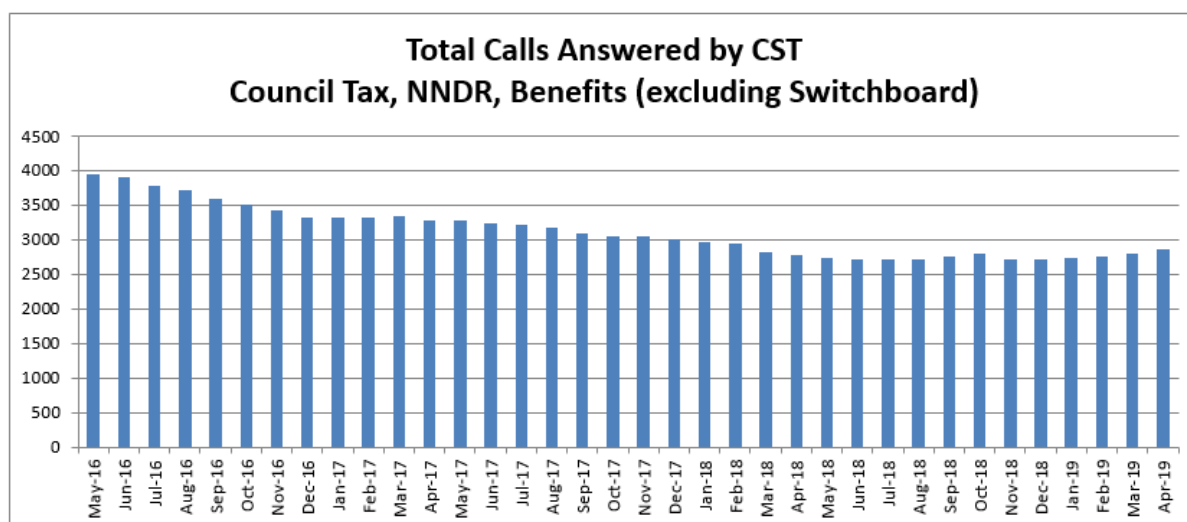
as there have been more referrals from DWP under the Real Time Information initiative. These are up to 500 a month.



As at the end of March 2019, the oldest new claim awaiting processing was 3 days, and change in circumstance was 10 days.

### *Customer Service Team*

The Customer Service Team process Benefits and Revenues calls. Whilst all calls should be to direct dial numbers, there are still an increasing number of calls that are received on the switchboard number. These calls have mostly come through to the Customer Services Team manage these calls on behalf of the Council. It was originally envisaged that these calls would be very few in number. However, they continue to average 200 per week. As the team were not resourced for these calls, these calls were impacting on the overall performance of the team, so reducing their ability to deal with Revenues and Benefits Calls. These calls have recently been shared with the Front-Line/Reception which should assist in this is helping to manage the switchboard calls and the service calls.



Note – November/December 2018 data not available

### Accountancy

From 2017/18, the audited Statement of Accounts is due to be published by 31 July, this being 2 months earlier than required in the previous Regulations. For 2017/18 Statement of Accounts this deadline was significantly missed, with the Accounts published in early December. This has been the subject of many reports to Executive and Finance and Audit Scrutiny Committee since last Summer. A plan has been put in place to ensure the deadline is met for 2018/19 Accounts and in future years. Progress on this plan has been reported to each Executive since November 2018. The draft 2018/19 Accounts have been published by the required date of 31 May 2019, and are due to be audited during June/July ahead of being reported to Finance and Audit Scrutiny Committee on 30 July for sign-off by the Committee.

The Accountancy Team has had Major staff changes in the year, with more changes expected in forthcoming years. Additional temporary resources have been employed to assist with the closure of the 2018/19 Accounts. A Project Accountant (3 year post) is being appointed to help support the work required on major projects in forthcoming years.

The contract for the Financial Management System has been extended under an Exemption to the Procurement Code of Practice. Initial soft market testing was undertaken during the year. The Project Manager is being appointed to take the project forward during 2019/20.

#### *Internal Audit and Risk*

During the year, all 36 Internal Audits within the Plan for the year were completed. These are reported to Finance & Audit Scrutiny Committee as part of the quarterly audit plan progress reporting.

#### *Procurement*

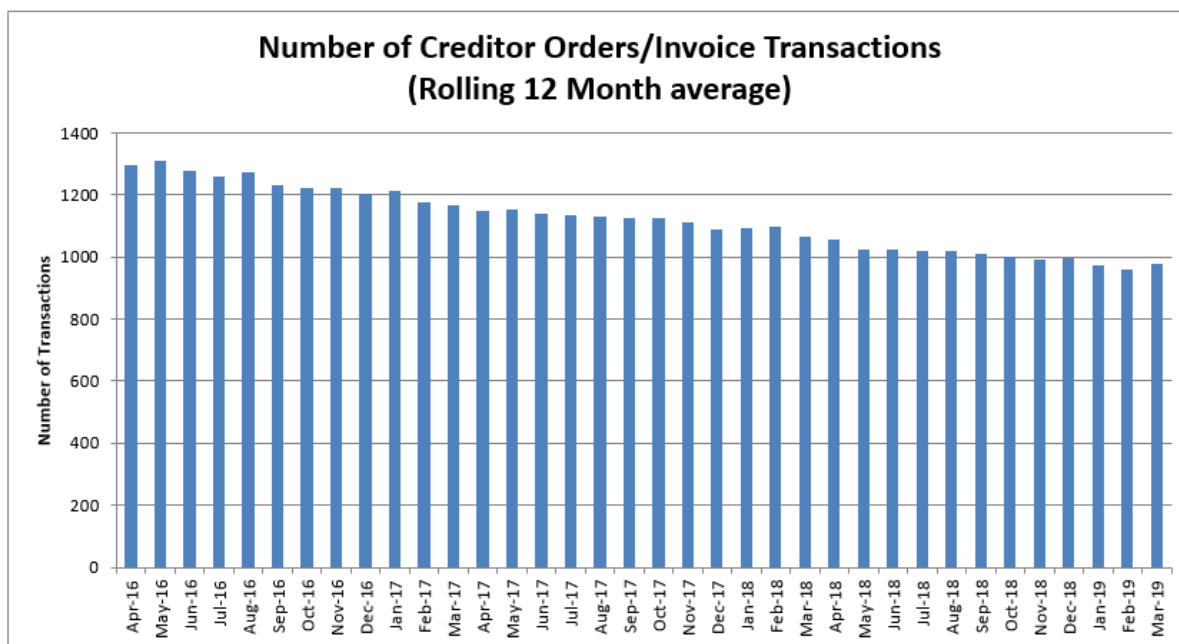
From April 2018, the Council has been in Procurement partnership with Warwickshire County Council. WCC provide strategic support, lead on specific high profile projects, and provide advice on other projects when required. The Council retains two Procurement Business Partners as the main "interface" for Council officers for procurement support. This partnership has worked well over the last year, as was reported to Executive in April 2019, with a further review due in a year.

As part of the support from WCC, a new updated Code of Procurement Practice was produced during 2018 was agreed by members in October 2018. The new Code is far more strategic than the previous version, concentrating on "what" needs to be done, rather than the "how". To assist in the "how" many guides and supporting documents have been produced to support officers in procuring goods and services, which are available on the Council's intranet. In addition, a new procurement strategy developed with the support of WCC and input from both SMT and the members within the Procurement Champions. The new strategy recognises both changes in priorities identified within the National Procurement Strategy 2018, as well as incorporating new environmental objectives such as the new council plastics policy.

As well as improvements to the Procurement service made through the WCC partnership, the internal Procurement team as made great efforts to improve service accessibility and support. By developing various digital solutions to promote self-service for officers (such as a more user friendly and intuitive contract register and interactive procurement guidance questionnaire), they have been able to increase front facing interaction with service areas to promote best practice procurement and facilitate in strategically in projects.

#### *Financial Services Team*

The Financial Services Team are responsible for processing the Council's payments and the collection of sundry debts. The numbers of transactions (invoices paid and orders raised) are shown below.



The team continue to introduce efficiencies so as to reduce the numbers of transactions to be processed, as can be seen from the chart. The initiatives include:-

- Consolidated billing
- Annual orders
- Use of procurement cards
- Collaborative procurement and contracts

### 3. Risks

The Finance Risk Register has continued to be reviewed throughout the year, being considered at Finance Management Team meetings, and the register is also reviewed quarterly in conjunction with the Finance Portfolio Holder. The Register is being presented to Finance & Audit Scrutiny in July, alongside the Contract Register and review of Budget.

Two risks are currently in the “red”:-

“Loss / shortage of staff”. This specifically reflects the staff changes in the Accountancy Team which has seen significant change over the last year from retirements and staff leaving.

“Qualified opinions; Late accounts; Late Government Returns”. This risk moved into the red as a consequence of the delays to the 2017/18 Accounts. Based on progress to date on the 2018/19 Accounts, it is anticipated that it will be able to remove the likelihood of this risk when the Register is next formally reviewed in September.

#### **4. Workforce Planning**

A staffing review involving changes to the Exchequer and Benefits functions was reported to Employment Committee in January 2018. This sought to provide greater resilience to the teams, especially in view of the increasing number of properties across the district, but also with impending changes such as Universal Credit.

Two of the Principal Accountants retired within the last two years. Despite the workforce plans in place, and the recruitment processes, this has undoubtedly put a strain on the Accountancy Section and contributing to the closure problems for 2017/18. With the help of additional temporary resources in the short term, and greater sharing of responsibilities, there is greater confidence within the team moving forward. There is due to be a further review of Accountancy staff resources in the Autumn.

The Finance service is seeking to develop resources from within. The Benefits Team was the first in the Council to recruit apprentices. Within Finance apprentices now additionally exist within Revenues, the Financial Services Team, Customer Services Team, and an apprentice is currently being recruited for Accountancy.

#### **5. Budget**

Details of the Finance Budget is shown within Appendix 3. This includes the 2018/19 outturn and the 2019/20 Budget.

In terms of the overall Council Budget, the Accountancy Team actively works with Budget Managers across the Council to review the current year expenditure and income and that for future years. In addition, the medium term financial strategy is maintained and updated – this driving the Council's overall finances. The Medium Term Financial Strategy (MTFS) is an intrinsic part of the Council's overall planning. Since 2010, the Council has seen reductions of over £7m to its external financial support (primarily Revenue Support Grant), but has been able to maintain services in this period, whilst holding the level of council tax at the same for many years. The MTFS (as updated within the July 2019 Service Area Plan/FFF Executive Report), show that further savings of £500k need to be made by 2024/25. Outside of the agreed Budget and MTFS, the Council faces additional costs in maintaining its assets in the future so as to maintain its services into the future; many of these costs still need to be funded. The team constantly monitors the savings required, and the profile behind it, utilising internal and external income. With significant uncertainty over the future of New Homes Bonus, and proposed changes to Business Rate Retention, it is vital that prudent assumptions are maintained, whilst the Council endeavours to build up reserves for any future volatility.


In recent years, there has continued to be tighter monitoring of significant income budgets such as planning fees, parking and cremations. These budgets can be difficult to forecast, which has led to some overly cautious forecasting in recent years. Whilst the 2018/19 surplus was greatly reduced, monitoring of specific budgets needs to be refined further, with accountants and budget managers working closely together to ensure the correct level of core income is reflected in the Medium Term Financial Strategy.

## Finance Service Plan 2018/19

### Planned Changes, Major Work streams and Projects

Change/Project	Milestones
Investigate feasibility of using of Meta Training for improving employee awareness of risk management.	Risk Management awareness training provided to all staff.
Customer Service Team – review telephony enhancements to improve customer service.	Enhancements made in terms of management of switchboard calls
Universal Credit – prepare for October 2018 rollout to new working age housing benefits claimants.	No new working-age HB claims now being taken. Front Line supporting UC claimants.
Customer service team/ face to face. Review service delivery.	Front Line/Reception taking Switchboard calls. Consideration of arrangement for reception on-going.
Review Discretionary Housing Payments policy in view of new Homelessness legislation.	New policy drafted. To be reported to Executive in July 2019.
Review options for Council Tax Reduction Banded Scheme	Banded scheme produced, agreed by Executive for consultation. Following consultation further changes proposed by Council requiring fundamental changes to enable the new scheme to be in place for 1 April 2019.
Visiting Team – improve efficiency and effectiveness of working practices.	New admin post appointed to, actively working with data streams from across LA. Team now able to work more pro-actively and effectively.
Auto-matching for Creditor invoices – implement across Council	Live from Spring 2018, in use across the Council.
Explore local discount/relief schemes for council tax and business	Supported Development Services in drafting proposals for Executive. Proposals agreed by Executive for consultation.

<b>Change/Project</b>	<b>Milestones</b>
rates.	
Council Tax "Self Serve" (Open Channel) module	Being used internally. Need to replace Open Access with Open Portal prior to forms able to be for external use. Other priorities, ie banded scheme and year end, have pushed this back slightly. Project carried forward to 2019/20 to complete.
Production of Spend Analysis	Spend Analysis generated internally. Presented to SMT 27/3/2019. SMT analysing data and discussing with Procurement. To be reported back to SMT in June. Spend Analysis of 2018/19 data planned for 2019/20.
WDC/WCC Procurement Partnership – progress new arrangements. Review of success to Executive	New Code of Procurement Practice and Procurement Strategy agreed by members. Partnership reviewed by Executive in April 2019.
Contract Register – review with ICT format held, how shared and accessed.	New Contract Register on SharePoint now in use across Council.
Early Closure of Accounts – for 2017/18 inc improved electronic WPs, planning for 2018/19 closedown.	Early closure not achieved (see text in body of report). Plans in place to ensure dates are adhered to for 2018/19 and thereafter.
New Financial Management System	Some soft market testing discussions. Project Manager post currently being recruited.
Budget Review – increase accuracy of process and year end projections.	Accountants/Budget Managers workings reviewed in detail, notably for year end closure preparations. Delays/problems with budget managers greatly reduced as part of 2018/19 closedown.

	<b>Finance &amp; Audit Scrutiny Committee</b> <b>30 July 2019</b>	<b>Agenda Item No.</b> <b>6</b>
<b>Title</b>	Work Programme & Forward Plan	
<b>For further information about this report please contact</b>	Graham Leach 01926 456114 or <a href="mailto:committee@warwickdc.gov.uk">committee@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	N/A	
This report is produced for Scrutiny meetings for governance purposes. It is part of the process for ensuring that the Council is held to account for the decisions it makes or may make.		

## 1. Summary

- 1.1 This report informs the Committee of its work programme for 2019 (Appendix 1) and of the current [Forward Plan](#).

## 2. Recommendation

- 2.1 Members consider the work programme (Appendix 1) and agree any changes as appropriate.
- 2.2 The Committee to:
- identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and
  - to nominate a Member to investigate that future decision and report back to the Committee.

## 3. Reasons for the Recommendation

- 3.1 The work programme as attached at Appendix 1 to the report should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.
- 3.3 If the Committee has an interest in a future decision to be made by the Executive, or policy to be implemented, it is within the Committee's remit to feed into the process.
- 3.4 The Forward Plan is actually the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which is to be taken by the Executive which they would like to be involved in, that Member(s) could then

provide useful background to the Committee when the report is submitted to the Executive and they are passing comment on it.

#### **4. Background**

- 4.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 4.2 The pre-decision scrutiny of Executive decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 4.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions.
- 4.4 A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 4.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.
- 4.6 There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.
- 4.7 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.
- 4.8 At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Executive items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Executive, on the comments the Committee made on the Executive agenda in the previous cycle.
- 4.9 The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Executive decisions to be taken, if members so wish.
- 4.10 As part of the scrutiny process, the Committee is not considering the whole of the Executive agenda.
- 4.11 On the day of publication of the Executive agenda, all Councillors are sent an e-mail asking them to contact Committee Services, by 9.00am on the day of the Committee meeting to advise which Executive items they would like the Committee to consider.

- 4.13 If the Committee made a comment on an Executive report a response will be provided to the Committee at its next meeting. In reviewing these responses, Committee can identify any issues for which they would like a progress report. A future report, for example on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

## **Finance and Audit Scrutiny Committee WORK PROGRAMME 2019/20**

**30 July 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
External Audit Findings Report	Audit	Written report followed by Q&A	Mike Snow / Cllr Hales		
Statement of Accounts 2018/19	Audit	Written report followed by Q&A	Andrew Rollins / Cllr Hales		
Finance - Service Area Update	Scrutiny	Written report followed by Q&A	Mike Snow / Cllr Hales		Annually

**20 August 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Housing & Property – Service Area Update	Scrutiny	Written report follow by Q&A	Lisa Barker / PH H&P		Annually
Risk Management Annual Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Day		Annually
Closure of Accounts Review	Scrutiny	Item on the Executive agenda	Andy Jones / Cllr Hales		

**26 September 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Procurement Strategy half year update	Scrutiny	Written report followed by Q&A	Becky Reading		
Internal Audit Quarter 1 2019/20 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Annual Governance Statement Quarter 1 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Neighbourhood Services – Service Area Update	Scrutiny	Written report followed by Q&A	Rob Hoof / PH Neighbourhood Services		Annually
Significant Business Risk Register	Scrutiny	Item on the Executive agenda	Richard Barr / Cllr Day		
Closure of Accounts Review	Scrutiny	Item on the Executive agenda	Andy Jones / Cllr Hales		
Review of Pump Room Gardens project. Setting out lessons Learned. To include recommendations for similar projects in the future.	Scrutiny	Written report followed by Q&A	Rob Hoof / Cllr Norris		
Financial update on Covent Garden Car Park	Scrutiny	Written report followed by Q&A	Paul Garrison / Bill Hunt / Cllr Norris		

**Appendix 1**

Update on financial implications of delaying HQ move	Scrutiny	Written report followed by Q&A	Chris Elliott / Cllr Day		
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**12 November 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
National Fraud Initiative Update	Audit	Written report followed by Q&A	Richard Barr		
Corporate Fraud Update	Audit	Written report followed by Q&A	Andrea Wyatt		
Treasury Management Half Year Review	Audit	Written report followed by Q&A	Richard Wilson		Half Yearly
Use of Parent Companies Update Report	Audit	Written report followed by Q&A	Mike Snow		
Development Services - Service Area Update	Scrutiny	Written report followed by Q&A	Dave Barber / PH Development Services		Annually
Closure of Accounts Review	Scrutiny	Item on the Executive agenda	Andy Jones / Cllr Hales		

**17 December 2019**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Internal Audit Quarter 2 2019/20 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Annual Governance Statement Quarter 2 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Environment & Business - Service Area Update	Scrutiny	Written report followed by Q&A	Dave Barber / PH Environment & Business		Annually
Closure of Accounts Review	Scrutiny	Item on the Executive agenda	Andy Jones / Cllr Hales		

**11 February 2020**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Strategic Leadership/Chief Executive – Service Area Update	Scrutiny	Written report followed by Q&A	Chris Elliott / Leader of the Council		Annually

**17 March 2020**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Internal Audit Quarter 3 2019/20 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Annual Governance Statement Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Internal Audit Strategic Plan (2020/21 to 2022/23 plan)	Audit	Written report followed by Q&A	Richard Barr		Annually
Culture – Service Area Update	Scrutiny	Written report followed by Q&A	Rose Winship / PH Culture		Annually
Significant Business Risk Register	Scrutiny	Item on the Executive agenda	Richard Barr / Cllr Day		

**21 April 2020**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Procurement full year review	Scrutiny	Written report followed by Q&A	Becky Reading		
Health & Community Protection – Service Area Update	Scrutiny	Written report followed by Q&A	Marianne Rolfe / PH H&CP		Annually
Significant Business Risk Register	Scrutiny	Item on the Executive agenda	Richard Barr / Cllr Day		

<b>Service Area Update Rota</b>
Finance
Housing & Property
Neighbourhood Services
Development Services
Environment & Business
Chief Executives
Culture
Health & Community Protection