

## **Audit & Standards Committee**

### **Thursday 12 December 2024**

An additional meeting of the above Committee will be held at Shire Hall, Market Place, Warwick on Thursday 12 December, at 6.00pm.

Councillor R Hales (Chair)  
Councillor S Syson (Vice-Chair)

Councillor K Aizlewood  
Councillor D Browne  
Councillor L Cron  
Councillor K Dickson  
Councillor R Dickson

Councillor K Dray  
Councillor J Falp  
Councillor K Gorman  
Councillor G Rosu

Although not members of the Committee, Mr Tomkinson and Ms Pyke, the Council's Independent Persons, and Councillors Marsh and Franklin, the Town and Parish Council Representatives, normally attend.

### **Agenda**

#### **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 disclosed 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 meeting held on 27 August 2024.

**(Pages 1 to 8)**

#### **4. Budget Review Group Minutes**

To note the record of the Budget Review Group meetings on 16 October 2024 and 4 December 2024 (to be appended to the minutes of the Audit & Standards Committee).  
**(Pages 1 to 2)**

#### **Part A – Audit Items**

#### **5. Statement of Accounts 2021/22 and 2022/23**

To consider a report from Finance. **(To Follow)**

#### **Part B – Other Items**

#### **6. Audit & Standards Committee Work Programme**

To consider a report from Governance. **(Pages 1 to 3)**

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# Audit & Standards Committee

Minutes of the meeting held on Tuesday 27 August 2024 at Shire Hall, Warwick at 6.00pm.

**Present:** Councillor Hales (Chair), and Councillors Aizlewood, Day, Dray, K Dickson, R Dickson, Falp, Gorman, D Harrison, Rosu, Syson, and Yellapragada.

**Also Present:**

Independent Person: Ms Pyke

Portfolio Holder for Resources: Councillor Chilvers

Portfolio Holder for Transformation: Councillor J Harrison

Parish/Town Council Representatives: Councillor Franklin and Councillor Marsh

**Officers:** Ian Davy (Audit & Risk Manager), Graham Leach (Head of Governance and Monitoring Officer), Steven Leathley (Strategic Finance Manager) and Richard Wilson (Principal Accountant).

At the start of the meeting the Chair of the Committee reminded the Committee of the pre-meeting questions and answers on reports before the Committee that had been circulated and were available online.

## 14. Apologies and Substitutes

- a) apologies for absence were received from Councillor Browne and Independent Person Ray Tomkinson; and
- b) Councillor Day substituted for Councillor Phillips and Councillor D Harrison substituted for Councillor Cron.

## 15. Declarations of Interest

There were no declarations of interest made.

## 16. Minutes

The minutes of the meeting held on 12 June 2024 were taken as read and signed by the Chairman as a correct record.

## 17. Statement of Accounts 2021/22 and 2022/23 update

The Committee considered a report from the Head of Finance which provided an update on the progress of the 2021/22, and 2022/23 audits.

An update on the positions of the 2021/22 and 2022/23 audits was last presented to the A&S Committee on 12 June 2024. Since that meeting, it was agreed that Grant Thornton (GT) would come onsite and meet with staff from the accountancy team to review working papers aligned to some of their outstanding requests.

GT had been on site on 6 August 2024 and working through a number of these aspects, mainly linked to Property, Plant and Equipment (PPE) and Assets. It was agreed that a follow up meeting would take place on 20

August, to give GT time to review the provided working papers and updated responses.

It was at this meeting that an expected decision on whether GT believed that the 2021/22 audit could be completed without significant resourcing and an unqualified opinion be given, or whether a qualified opinion aligned to the backstop date was likely.

It should be noted that at the last Audit and Standards Committee meeting, it was reported that as part of clearing the backlog of historical audit opinions up to and including financial year 2022/23, the government was working to introduce a backstop date of 30 September 2024 by which all local bodies would publish audited accounts. These would be given either a qualified or disclaimed opinion.

However, due to the General Election on 4 July 2024, the Chartered Institute of Public Finance and Accountancy (CIPFA), which developed the Code of Practice on Local Authority Accounting for the United Kingdom, could not proceed with the backstop legislation until a new Parliament was formed.

On 30 July 2024, the Minister of State for Housing, Communities, and Local Government, sent a letter outlining updated details of action to tackle the local audit backlog in England.

This set out the intention to lay secondary legislation to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates:

<b>Financial Year</b>	<b>Backstop date</b>
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Subject to parliamentary approval, for financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts would change from 31 May to 30 June following the financial year to which they relate. This would give more time at the preparation stage to ensure an increased likelihood that high-quality draft accounts could be published within the deadline and reduce pressure on already stretched Council staffing resources.

These actions were welcome and offered some assurance that such similar scenarios as those impacting the local audit sector were avoided. By having backstop dates limited to six months after the end of the financial year, impacted upon the following years audits and publications would be more controlled.

The Auditors Annual Report attached as Appendix 1 to the report provided a commentary from the Auditors on the Council's arrangements in securing economy, efficiency and effectiveness in its use of resources. This was achieved through Value for Money Assessments, from which recommendations were provided on the financial sustainability of the



Council, its governance arrangements, and its arrangements for improving economy, efficiency, and effectiveness.

11 recommendations were reported, alongside management responses collated by the Section 151 officer.

It should be noted that due to the Value for Money (VFM) report being linked to 2021/22 and 2022/23, some of the recommendations had subsequently been addressed. These included recent changes to the Council's approach to risk, an updated Corporate Strategy being approved in November 2023, and robust governance processes supporting the delivery of the Change Programme.

Given the challenges raised throughout the audit process since 2022, several changes to processes had been made to ensure that the Council did not face similar issues with future audits, as it continued work with the new audit partners Azets for 2023/24. Some of this work was taking place with external providers, such as pensions, valuation, and finance system providers to ensure the data prepared on the Council's behalf meets the requirements of providing the necessary audit assurance.

The lessons learnt would give more time in the production process by ensuring the agreed timetable did not slip. Further developments to the new Finance Management System, including enhancing the reports and data extracted from the system for year-end would be completed. Staff also now had more experience in using the system, and this should improve the efficiency of the project.

While some of these changes might not be in place for the 2023/24 process, the audit plan presented at the last Audit and Standards Committee set out how the Council planned to bring the audit process back on track this year with a view of being able to commence the 2024/25 audit with no backlogs.

Representatives from Grant Thornton, auditors for the 2021/22 and 2022/23 accounts, were present to outline the progress on the closure of accounts and also the Value for Money Report for those accounts that was appended to the report. They highlighted that this was a new format report which was required under the revised regulations required for the 2021/22 accounts onwards.

An addendum to the report was circulated after the publication of the agenda providing a further update on the timeline for the closure of the accounts for 2021/22 and 2022/23.

In response to questions from Members, it was explained that:

- a pragmatic decision had been taken to not validate the assets register for 2021/22 and 2022/23 to enable these accounts to be closed in time for the backstop date;
- the asset register would be audited as part of the 2023/24 accounts with the new external auditor taking over from Grant Thornton;
- at the time of the 2021/22 Accounts, there were a number of challenges for resources within the Finance Team, these had now been resolved and officers were confident they would achieve the deadlines for the accounts in future;

- it was accepted there had also been resourcing challenges for Grant Thornton and this had also led to delays in the external audit work;
- training on finance was a fundamental training for all Councillors and there would be continued training and briefings provided for Councillors;
- training attendance records for Councillors would be shared with Group Leaders for their reference;
- there was a review of the role of Asset Compliance Committee with the potential for this to have a wider remit including looking at more detailed work on the Housing Revenue Account; and
- the minutes of the Change Programme and Programme Board would be shared with all Councillors in confidence.

Members of the Committee had concerns regarding the assurance of the accounts if the asset register had not been audited and the perception this might create for the public. Therefore, they were of the view that a press release should be issued to provide clarification and assurance on this matter.

The Committee were also of the view that Group Leaders should be aware of the training attendance records of their Group Members so that they could assess performance each quarter.

The Committee also recognised the significant work being undertaken by officers to ensure the accounts were to be completed on time and thanked them for this.

**Resolved** that the

- (1) positions of the 2021/22 and 2022/23 audits, and the ongoing plan to resolve their outstanding positions, be noted; and
- (2) provisional Auditors Annual Report for 2021/22 and 2022/23, providing Grant Thorntons Value for Money (VFM) assessment and key recommendations regarding the Councils arrangements for securing economy, efficiency and effectiveness in its use of resources, be noted.

**18. Treasury Management Activity Report for period 1 October 2023 to 31 March 2024**

The Committee considered a report from Finance which detailed the Council's Treasury Management performance for the period 1 October 2023 to 31 March 2024.

Core re-investments were kept short to take advantage of the changes in interest rates, and these outperformed the benchmark. Money Market Funds (MMFs) and Call Accounts were used for every day cashflow purposes. The MMFs outperformed and the Call Accounts underperformed against the benchmark.

The overall performance was above the benchmark.

The Council's 2023/24 Treasury Management Strategy and Treasury Management Practices (TMP's) required the performance of the Treasury Management Function to be reported to Members on a quarterly basis in accordance with the Treasury Management Code of Practice.

**Resolved** that the report be noted.

#### 19. **Risk Management Policy and Significant Risk Register**

The Committee considered a report from the Audit and Risk Manager which considered how the Council identified, assessed, and managed risk. Risk could be both negative (a threat) and positive (an opportunity).

The purpose of the report was for Audit and Standards to endorse the new Risk Management Policy, which had recently been approved by Cabinet; to note the draft Risk Management Action Plan; and to review to the updated Significant Risk Register (SRR).

The purpose of the risk management policy was to set out the framework, which would be used to underpin risk throughout the organisation. The Risk Management Action Plan had been drawn up to support the implementation of the revised framework.

The purpose of the SRR was as a management tool used to identify and assess significant and strategic risks that could affect the Council achieving its objectives.

Effective risk management contributed to the Council's Corporate Governance arrangements by ensuring that there were effective management and internal control systems in place to support decision making.

The Council's existing risk management framework was due for review and the new Policy set out the basis for how risk management would be taken forward. A risk management policy was a critically important document as it contributed to the corporate governance arrangements of the Council. The 2023 Local Government Association Corporate Peer Challenge (CPC) also made recommendations that there would be benefit of increasing the robustness of the Council's approach to risk management. The CPC report references risk management in Recommendations 3, 6 and 7 of their findings.

The Risk Management Policy, as approved by Cabinet on 10 July 2024 was attached as Appendix 1 to the report. A previous draft of this policy had been circulated to members of this Committee for consultation.

It was anticipated that, in the future, the review and approval of the Policy would be aligned with the reporting of the Annual Governance Statement. To support the implementation of the new Policy and the framework set out within it, an action plan had been drafted and was attached as Appendix 2 to the report. Included within this action plan was the

completion of a risk maturity assessment, which would help the Council determine the level of risk management maturity against a set of criteria. The timescale for this was set at two years to allow for the new framework to become embedded within the organisation.

As part of the review of risk management, a new interim SRR template had also been developed following Officer and Member feedback. It had moved away from themes to capturing specific significant and strategic risks and asks for more information to be provided for each risk assessed. The SRR was set out in Appendix 3 to the report and the confidential SRR in Appendix 4 to the report. As set out in the Policy, Audit and Standards Committee would get a quarterly report on the SRR in order for them to be able to monitor changes and note the progress against the actions set out within it.

No other options had been considered, as the Council should have a risk management policy and strategic risk register as part of its corporate governance arrangements.

Moving the SRR from MS Word to MS Excel was an improvement but not the end game. Longer term, there were better technology solutions that would be considered, with the review of these solutions being included in the action plan referred to above.

In response to questions from the Committee, it was explained that:

- reputational risk would be considered through decision making processes and mitigations put in place through, as examples, performance monitoring, audits and good governance. Therefore, reputational risk was unlikely to be identified as specific risk on the Significant Risk Register;
- on consideration of accumulated risk of demand, this would be considered in the regular reviews of risk registers, both for projects and individual service areas. This came down to the risk appetite of the Council and would be built into decision making for each project the Council undertook;
- clarity on issues and how the handling and review of these could become a risk, would be feedback to the Senior Leadership Team for consideration; and
- the Audit and Risk Manager had been involved with the Project Management Community of Practice and would be involved in early stages of project development to help evaluate risk.

**Resolved** that the report and appendices, be noted and approved.

## **20. Internal Audit Progress Report: Quarter 1 2024/25**

The Committee considered a report from the Audit and Risk Manager which advised on progress in achieving the Internal Audit Plan 2024/25, and summarised the audit work completed in the first quarter.

In response to questions from Members, the Audit and Risk Manager explained that:

- the target completion dates for recommendations in Quarter 2 would be followed up at the end of their respective month and then reported as part of the Quarter 2 report to this Committee, either later this year or early in January 2025;
- the review of policies in respect of the Microsoft 365 was underway and a time scale for review was not included as the policies had different time periods for review;
- training records for officers were retained within the Council's HR system;
- there were measures in place for aids and adaptations previously but not one looked at overall length of time; and
- while there were 12 recommendations with revised completion deadlines, this was considered acceptable with officers adjusting the timescales, following the previous request by the Committee to ensure they were realistic, and this review was now being reported to Committee.

**Resolved** that the report and appendices, be noted.

## 21. **Cyber Security Internal Audit Report 2022/23**

The Committee considered a report from the Audit and Risk Manager which provided an update on the completion of the delayed 2022/23 Cyber Security internal audit report, undertaken by TIAA.

As reported in the Quarter 1 2024/25 Internal Audit Progress Report earlier in the agenda, the Cyber Security audit, carried forward from 2022/23 was still in draft form at the end of Quarter 1 and that the Audit and Standards Committee would be kept informed of progress in respect of this audit until it was completed.

The report had subsequently been finalised and it was decided that, due to the amount of time that this audit had been outstanding, and the level of risk associated with cyber security, it should be reported to Audit and Standards Committee at the earliest opportunity, rather than waiting for it to be covered as part of the Quarter 2 progress report.

In terms of alternative options, the report could have been covered as part of the Quarter 2 progress report as would normally be the case, but this option was discounted due to the reasons set out above.

**Resolved** that the report and appendices, be noted.

## 22. **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.

23. **Confidential Appendix to Item 8 – Cyber Security Internal Audit Report**

The confidential appendix was considered by the Committee. While this was considered in confidence, it was considered that the following points were ones that could be reported in public.

In response to questions from the Committee it was agreed that officers would

- (a) provide a further update on the Audit and planned audits on this area of work to the January 2025 meeting; and
- (b) review how the Council could publicly demonstrate the work to audit and provide assurance on the Council's Cyber Security arrangements, when the report and debate was confidential.

24. **Audit & Standards Committee Work Programme**

The Committee considered a report from Governance Services which informed Members of the Committee's work programme for 2024/25, attached at Appendix 1 to the report.

The Committee were informed that there was likely to be an additional meeting of the Committee later this year to enable the closure of accounts. This was due to be discussed with the Chair of the Committee in late September.

**Resolved** that the report and appendix, be noted.

(The meeting ended at 7.26pm)

CHAIRMAN  
12 December 2024

# Budget Review Group

Record of the meeting held on Wednesday 16 October 2024 at Shire Hall, Warwick at 6.00pm.

**Present:** Councillors: Aizlewood, Armstrong, Barton, R Dickson, Falp, Hales, Milton, and Rosu.

**Also Present:** Councillor Davison, Leader of the Council; Councillor Chilvers, Portfolio Holder – Resources; Councillor Roberts, Portfolio Holder-Neighbourhood; Andrew Rollins, Head of Finance; Tony Sidhu, Principal Accountant; and Graham Leach, Head of Governance and Monitoring Officer.

## 1. **Appointment of Chair**

Councillor Hales was appointed to Chair the meeting.

## 2. **Apologies**

Apologies were received from Councillor Collins.

## 3. **Declarations of Interest**

There were no declarations of interest.

## 4. **Cabinet Agenda (Non-Confidential items and reports) – Thursday 17 October 2024**

### Item 4 – Fees and Charges

The Budget Review Group asks Cabinet to consider what the communication strategy will be for the changes in fees and charges this year, including information that will help Councillors explain the reason/rationale for the changes to residents?

While the budget review Group welcomed that officers would have access to the CommercialGov database to help evaluate and consider future fees and charges they recommended to Cabinet that they explore a commercial strategy for the Council.

**Because this was a recommendation Cabinet are required to vote on the proposal and if going against the recommendation provide reasons why.**

(The meeting ended at 7.06pm)

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CHAIR AUDIT & STANDARDS  
COMMITTEE  
12 December 2024

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CHAIR OVERVIEW & SCRUTINY  
COMMITTEE  
21 January 2025

# Budget Review Group

Record of the meeting held on Wednesday 4 December 2024 at Shire Hall, Warwick at 6.00pm.

**Present:** Councillors: Barton, Collins, R Dickson, Hales, and Milton.

**Also Present:** Councillor Davison, Leader of the Council; Councillor Chilvers, Portfolio Holder – Resources; Councillor Adkin, Portfolio Holder – Housing and Assets; Andrew Rollins, Head of Finance; Steven Leathley, Strategic Finance Manager; Lisa Barker- Head of Housing, Health and Communities; and Graham Leach, Head of Governance and Monitoring Officer.

## 5. **Appointment of Chair**

Councillor Collins was appointed to Chair the meeting.

## 6. **Apologies**

Apologies were received from Councillors Aizlewood, Armstrong, Falp, and Rosu.

## 7. **Declarations of Interest**

There were no declarations of interest made.

## 8. **Cabinet Agenda (Non-Confidential items and reports) – Thursday 5 December 2024**

### Item 4 – General Fund Base Budget 2025/26

The Budget Review Group noted the recommendations in the report, the increase in the deficit, and the work completed by officers to resolve this, including the anticipated government settlement. The Group asked officers and the Portfolio Holder for Resources to continue to work on reducing the deficit within the budget.

### Item 5 – Housing revenue Account Base Budget Report 2025/26

The Budget Review Group requested reports be shared earlier, to give sufficient time for Members to read and effectively scrutinise. The Group noted the significant work from officers, considering the challenges that had been faced during the past year and the regulatory changes. The Group recognised the importance of providing Council homes, particularly for vulnerable residents living within the District.

(The meeting ended at 7.26pm)

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CHAIR AUDIT & STANDARDS  
COMMITTEE  
12 December 2024

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CHAIR OVERVIEW & SCRUTINY  
COMMITTEE  
21 January 2025



Agenda Item 5  
Audit & Standards Committee  
12 December 2024

Title: Statement of Accounts 2021/22 and 2022/23 Update

Lead Officer: Andrew Rollins (01926 456013)

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: All

<b>Approvals required</b>	<b>Date</b>	<b>Name</b>
<b>Portfolio Holder</b>		Councillor Chilvers
<b>Finance</b>		Andrew Rollins
<b>Legal Services</b>		
<b>Chief Executive</b>		Chris Elliott
<b>Director of Climate Change</b>		Dave Barber
<b>Head of Service(s)</b>		Andrew Rollins
<b>Section 151 Officer</b>		Andrew Rollins
<b>Monitoring Officer</b>		Graham Leach
<b>Leadership Co-ordination Group</b>		
<b>Final decision by this Committee or rec to another Cttee / Council?</b>	Yes	
<b>Contrary to Policy / Budget framework?</b>	No	
<b>Does this report contain exempt info/Confidential? If so, which paragraph(s)?</b>	No	
<b>Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?</b>		
<b>Accessibility Checked?</b>	Yes	

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## Summary

This report presents the published 2021/22 and 2022/23 Statement of Accounts to be agreed by the Committee ahead of the backstop date of 13 December 2024.

For the 2021/22 Statement of Accounts, the External Auditor's Audit Findings Report is also presented. Due to elements of the work on the audit being outstanding at the time of the statutory deadline, it has not been possible for Grant Thornton to issue an audit opinion, and therefore a disclaimer of audit opinion has been issued.

For the 2022/23 Statement of Accounts, Grant Thornton have not had time to obtain sufficient appropriate audit evidence to conclude that the statements are free from material misstatement. Therefore a disclaimer of audit opinion will be issued.

## Recommendation(s)

- (1) That the Committee notes the 2021/22 Audit Findings Report, and accompanying management responses.
- (2) That the Committee approves the 2021/22 letter of representation on behalf of the Council.
- (3) That the Committee notes the 2022/23 shortform Audit Findings Report.
- (4) That the Committee approves the 2022/23 letter of representation on behalf of the Council
- (5) That the Committee approves the 2021/22 and 2022/23 Audited Statement of Accounts.

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## 1 Reasons for the Recommendations

### 1.1 Background

- 1.1.1 An update on the positions of the 2021/22 and 2022/23 audits was last presented to the A&S Committee on 27 August 2024.
- 1.1.2 Due to the growing backlog in the publication of audited accounts for local authorities. To address the issue the Ministry of Housing, Communities & Local Government has confirmed legislation that includes five backstop dates to allow full assurance to be rebuilt over several audit cycles.
- 1.1.3 These backstop dates are:

Financial Year	Backstop date
2021/22	13 December 2024
2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 1.1.4 Where auditors have been unable to complete audits, they will issue a 'disclaimed' or 'modified' audit opinion.
- 1.1.5 It is expected that disclaimed opinions are likely continue for a few years, until

the new external auditors (in WDC's case Azets) can obtain sufficient appropriate audit assurance.

- 1.1.6 Our auditors, Grant Thornton, have undertaken their Value for Money work for the years ending 31 March 2022 and 31 March 2023, and reported the outcome in the Auditor's Annual Report, which was presented to the Audit and Standards Committee on 27 August 2024 alongside management responses.

## 1.2 **2021/22 Statement of Accounts**

- 1.2.1 The published 2021/22 Statement of Accounts are presented as Appendix 1 to this report.
- 1.2.2 The draft Statement of Accounts were published on 5 September 2022.
- 1.2.3 The 2021/22 Audit Findings Report (Appendix 2) presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process. The audit has been carried out by Grant Thornton.
- 1.2.4 The report notes some of the challenges present through this audit process, as viewed by Grant Thornton. While we acknowledge that WDC has contributed to the delay of the accounts and subsequent disclaimer being received, it is important to re-emphasise that some of the issues during the process could have been mitigated. These have been covered within previous reports to the Committee.
- 1.2.5 The report raises 15 recommendations for management from the audit work. Management comments in response to the recommendations are presented in Appendix 3.
- 1.2.6 The Audit Findings Report sets out material (non-trivial) misstatements to the accounts identified by audit within Appendix C. Management have adjusted the accounts for final publication to reflect the identified matters.
- 1.2.7 Appendix C also sets out misstatements which management will not be adjusting for, due to their values being immaterial in nature.
- 1.2.8 Grant Thornton state that due to some areas of the audit remaining outstanding at the time of the statutory deadline of 13 December 2024, it would not be possible to form an opinion. Therefore it is their intention to issue a disclaimer of the audit opinion. This is provided within Appendix F of the Audit Findings Report (Appendix 2).
- 1.2.9 This enables WDC to comply with the requirement in the regulations to publish audited financial statements for the year ended 31 March 2022 by the backstop date.
- 1.2.10 The letter of representation for 2021/22 (Appendix 4) has been signed by the Council's Section 151 Officer and the Chair of the Audit and Standards Committee, for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

## 1.3 **2022/23 Statement of Accounts**

- 1.3.1 The published 2022/23 Statement of Accounts are presented as Appendix 5 to this report.

- 1.3.2 The draft Statement of Accounts were published on 31 October, to enable the 30-working day public inspection period to commence on 1 November and be completed before the audit publication backstop date of 13 December 2024.
- 1.3.3 Due to the limited time the draft financial statements were available following publication, Grant Thornton were unable to commence their audit of the statements before the backstop date, and therefore did not have enough time before 13 December 2024 to obtain sufficient appropriate audit evidence to conclude that the 2022/23 financial statements are free from material misstatement.
- 1.3.4 Grant Thornton therefore plans to issue a disclaimer of the audit opinion. This enables WDC to comply with the requirement in the regulations to publish audited financial statements for the year ended 31 March 2023 by the backstop date. This is outlined in the conclusion of the audit letter for 2022/23 (Appendix 6).
- 1.3.5 The letter of representation for 2022/23 (Appendix 7) has been signed by the Council's Section 151 Officer and the Chair of the Audit and Standards Committee, for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.
- 1.3.6 It should be noted that this letter differs from the letter of representation for 2021/22, given that Grant Thornton was unable to commence the main audit. This is reflected particularly in the 'information' provided section of the letter.
- 1.4 Given the challenges raised throughout the audit process since 2022, several changes to processes have been made to ensure that we do not face similar issues with future audits, as we continue our work with our new audit partners Azets for 2023/24. Some of this work is taking place with external providers, such as our pensions, valuation, and finance system providers to ensure the data prepared on our behalf meets the requirements of providing the necessary audit assurance.
- 1.5 The lessons learned will give more time in the production process by ensuring the agreed timetable does not slip. Further developments to the new Finance Management System, including enhancing the reports and data extracted from the system for year-end have been completed. Staff also now have more experience in using the system, and this should improve the efficiency of the project.
- 1.6 While some of these changes may not be in place for the 2023/24 process, the audit plan presented at the last A&S Committee sets out how Warwick District Council plans to bring the audit process back on track this year with a view of being able to commence the 2024/25 audit with no backlogs.
- 1.7 It is expected that Azets will present an update to the audit plan and their plans on how we move to a position of being able to provide assurance early in the new year.

## **2 Alternative Options**

- 2.1 None.

## **3 Legal Implications**

- 3.1 The proposals are in line with current legislation where applicable.

## **4 Financial Services**

- 4.1 The original scale fee for the 2021/22 audit agreed by Public Sector Audit Appointments (PSAA) was £44,290. The proposed fee was then agreed at £73,140 by PSAA as proposed in Grant Thornton's original audit plan.
- 4.2 Grant Thornton have currently received approval for an additional £81,099 fee for the 2021/22 audit from PSAA in February 2024. The additional fee covers increased standards and requirements with which the audit and statements are due to adhere to, in addition to the additional work that has been required on the audit to date. The final fee as noted in Appendix D of the Audit Findings Report is £169,141 and includes costs relating to the backstop. This represents a further requirement of £14,902. This will need to be agreed by PSAA.
- 4.3 In recognition of some these increased requirements, the Government agreed £15m additional funding towards the cost of the 2021/22 audits, with each local authority receiving £21,285 towards the increased costs.
- 4.4 For 2022/23, PSAA set a scale fee of £48,791. Given the unprecedented circumstances relating to the introduction of the backstop legislation, audit firms are still awaiting a determination from PSAA as to the appropriate fee to be charged for the audit. Grant Thornton have proposed a fee of £18,155.
- 4.5 This does not reconcile with the expected fee included within the 2022/23 financial statements, in which a total provision for the audit of £73,000 was made.
- 4.6 Any saving achieved on the 2022/23 will be used to offset the additional costs associated with the 2021/22 audit, as outlined in 4.2.

## **5 Corporate Strategy**

- 5.1 Warwick District Council has adopted a Corporate Strategy which sets three strategic aims for the organisation.
- 5.2 Delivering valued, sustainable services. Having Audited Statement of Accounts and completed Value for Money Assessments is a mechanism for being able to demonstrate financial sustainability and give assurance that the Council is operating from a stable financial platform by confirming how it is using its resources.
- 5.3 Low cost, low carbon energy across the district.
- 5.4 Creating vibrant, safe and healthy communities of the future.

## **6 Environmental/Climate Change Implications**

- 6.1 None.

## **7 Analysis of the effects on Equality**

- 7.1 Not relevant.

## **8 Data Protection**

- 8.1 Not relevant.

## **9 Health and Wellbeing**

- 9.1 Not relevant.

## **10 Risk Assessment**

- 10.1 The requirement for external auditors is part of the assurance framework under which all local authorities operate. The audit of the accounts and associated grant claims seeks to provide assurance to all stakeholders that the Council's finances, as reported in the Accounts, are being properly managed.

## **Background Papers**

[27 August 2024 - Item 5 - Statement of Accounts 2021/22 and 2022/23 Update](#)

[12 June 2024 - Item 6 - Statement of Accounts 2021/22 and 2022/23 Update](#)

[18 January 2022 - Item 4 - Statement of Accounts 2021/22 Update](#)

## **Supporting documents**

Appendix 1 – 2021/22 Statement of Accounts

Appendix 2 – 2021/22 Audit Findings Report (AFR)

Appendix 3 – 2021/22 AFR Management Comments to Recommendations

Appendix 4 – 2021/22 Letter of Representation

Appendix 5 – 2022/23 Statement of Accounts

Appendix 6 – 2022/23 Conclusion of the Audit letter

Appendix 7 – 2022/23 Letter of Representation

# Statement of Accounts

# 2021/22

## and **Annual Governance Statement**



[www.warwickdc.gov.uk](http://www.warwickdc.gov.uk)



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**Andrew Rollins, ACMA, CGMA**  
Head of Finance

# Narrative Report

## Message from the Interim Head of Finance

### Andrew Rollins

The financial statements once again demonstrate that the financial standing of the Council continues to be robust. We have established good financial management disciplines, processes and procedures. Recognising that we operate in an environment of continuous change, a drive for on-going improvement and excellence is essential to ensure excellent service delivery and resource efficiency.

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 2021/22
- 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 secure.

Further refinements to the content and production of the financial statements have been made, taking note of the Audit recommendations from 2020/21 to ensure that they continue to be understandable to users, and effectively comply with CIPFA standards.

Legislation requires that an authority's draft accounts be completed by 1 August following the year end, and an audited Statement of Accounts submitted to the appropriate body for approval by 30 November. 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 following the draft publication. Recognising the impact of several factors within the Council relating to resourcing and the implementation of a new finance management system, the decision was made to delay the publication of the draft statements, in accordance with The Accounts and Audit Regulations 2015 – Regulation 15, as amended by The Accounts and Audit (Amendment) Regulations 2021, and by The Accounts and Audit (Amendment) Regulations 2022. Through continued liaison with our external auditors, Grant Thornton, we have been able to accommodate this delay within an agreed audit schedule, minimising its impact on the overall process. Audit and Standards committee received the audit report and statement on 22 November 2022 in advance of the submission deadline for approval.

The Narrative Report provides information about Warwick District Council, 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 as at 31 March 2022.

COVID-19 has continued to have an impact during 2021/22, with many businesses and attractions within the District being affected, particularly during quarter 1. This has continued to place a strain on some of the Council's income streams, and additional cost pressures as resources have been focussed on ensuring that the Council continued delivering key services throughout this period.

While the Government has continued to provide some support through several grant schemes in place during the year, we have started to

see some of the changes to how residents, businesses, communities, and visitors live in, work in and visit the district. While the Council had accounted for the use of reserves to enable a balanced budget to be set for 2021/22, better than expected performance in conjunction with the receipt of additional unbudgeted grants has resulted in monies being returned to reserves or repurposed for the delivery of new schemes. However, the Council appreciates that financial challenges will remain as it adapts services and funding sources to the 'new normal', and support mechanisms are gradually phased out.

The year concluded with the first signs of the ongoing economic challenges, with the UK economy facing high levels of inflation. This is creating significant uncertainty for our residents, communities, businesses and in turn the Council's medium term finances. The financial outturn for 2021/22 does not reflect many of these pressures, primarily due to exiting contractual arrangements protecting the Council from increased costs during the year.

However, the changing environment, including the impact of the pandemic, inflation and the

cost-of-living crisis, as well as the decision to withdraw the request to merge with Stratford-on-Avon District Council, will require the Council to review the services it provides, its delivery models and the outcomes they achieve going forward. This will also require the Council to review the structural position of its base budget to ensure ongoing financial resilience. In addition, the Council will continue to adopt a pro-active approach to how it prioritises its resources to ensure it responds to the emerging needs of residents and businesses. Over 2021/22 the Council has been at the forefront of delivering support to those who need it, including ensuring Government grants are delivered to businesses, and through responding to international situations such as the Ukrainian refugee crisis, and will continue with this approach going forward.

Where necessary the Council will revise its Medium-Term Financial Strategy (MTFS) to reflect the impact of the economic and social environment, and any changing strategic objectives. Updates will be reported to Cabinet / Council on a regular basis.





# Key facts about the District

Warwick District Council is one of five district / borough council's 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 (137,700 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 excellent road and rail 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 also excellent rail services to the rest of the West Midlands and London.

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.

From the National Grid and UK Battery Industrialisation Centre to our thriving Computer Games Industry our district is home to a high concentration of leading UK businesses as well as being a magnet for talent, innovation and creativity. With over 2,500 employees across 83 studios, Silicon Spa (anchored in Leamington) is the third largest games cluster in the UK.

We also have a growing pedigree in attracting major international sporting events, as an official venue for the Birmingham 2022 Commonwealth Games with Victoria Park in Leamington Spa playing host to the Lawn Bowls and Para Lawn Bowls competitions and the men's and women's Cycle Road races starting and finishing in Warwick, with more than 5000 visitors a day from around the world expected to attend.



# Political Structure

As at 31 March 2022, Warwick District had 17 wards and the Council consisted of 44 Councillors. The political make up of the Council is shown below.



The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Cabinet has responsibility for the allocation of Portfolios and the delegation of Cabinet Functions. Cabinet members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2021/22, including the setting of a balanced budget for 2021/22, has been undertaken by either the Finance and Audit Scrutiny Committee or Overview and Scrutiny Committee.

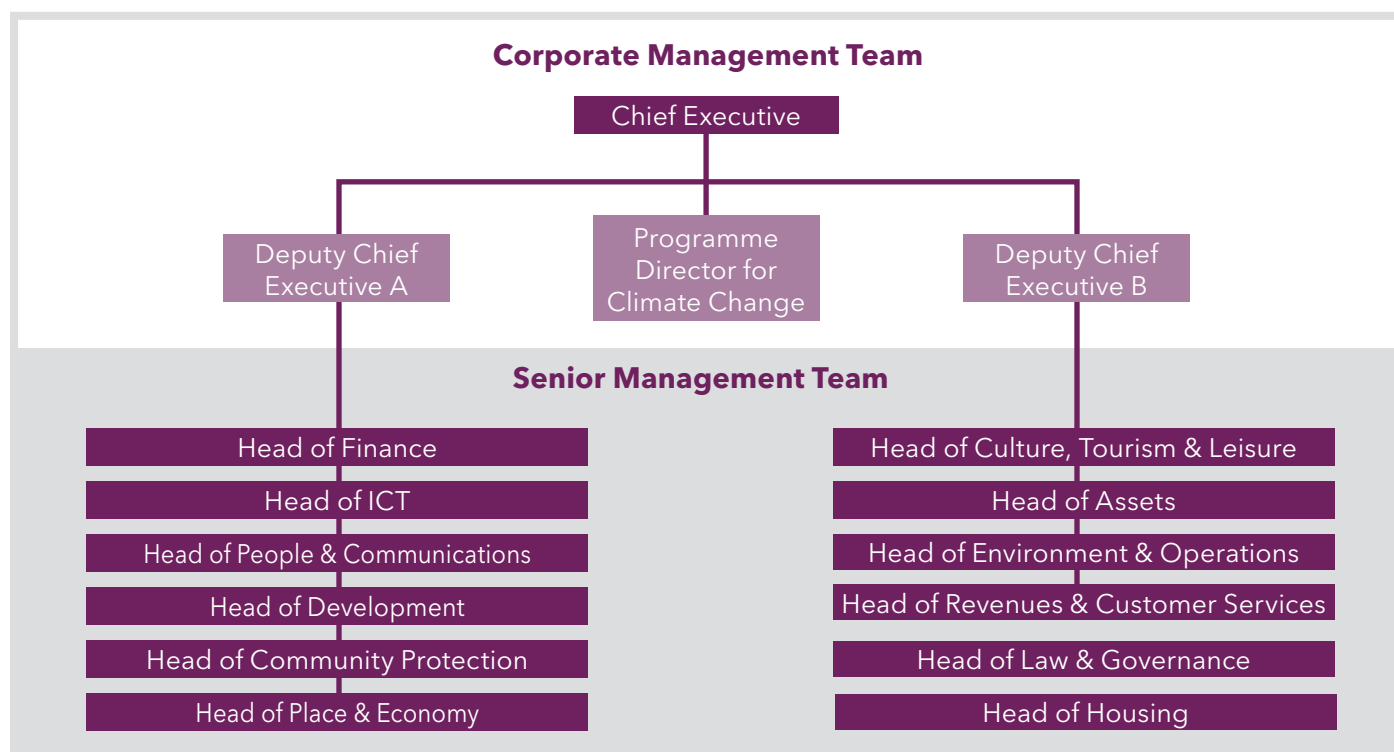
## Warwick District Council Key Information

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 Cabinet (the Council's main decision making body) and officers of the Council.



# 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 2020/21 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. During the year there was a review of these roles and Deputy Chief Executive Post B was deleted from the establishment as part of wider management review to combine senior management with Stratford-on-Avon District Council.

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 use of 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 consisted of ten Heads of Service as shown in the diagram above. All Heads of Service for the financial year were shared posts with Stratford-on-Avon District Council.

A New Management Structure was implemented on 12 May 2022 following the recommendation from the Leaders of both Warwick District Council and Stratford upon Avon District Council to withdraw the request to merge and create a South Warwickshire District Council.

# Council Employees

The full time equivalent number of staff employed by the Council in April 2021 was 467.6. This decreased over the year to 439.51 at the end of March 2022, including six apprentices, with six new starters in 21/22.

The Council is an Equal Opportunities employer and welcomes applications from all. We use a fair and open selection process based on knowledge, experience, skills and behaviour in our aim to recruit the best person for the job.

We promote an environment which offers opportunities for all our staff. 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.

## Our Vision

The Council's Vision is to make Warwick District "a Great Place to Live, Work and Visit", underpinned by the Fit for the Future Strategy, setting out the Council's internal and external aims against three key strands.

The Council's latest Service Area Plans set out the delivery of these strands.

Visit our website for more information on the updated Fit For Future Strategy and the 2021/22 service area plans.

FIT FOR FUTURE STRANDS		
PEOPLE	SERVICES	MONEY
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Improved health for all</li> <li>Housing needs for all met</li> <li>Impressive cultural and sports activities</li> <li>Cohesive and active communities</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Becoming a net-zero carbon organisation by 2025</li> <li>Total carbon emissions within Warwick District are as close to zero as possible by 2030</li> <li>Area has well looked after public spaces</li> <li>All communities have access to decent open space</li> <li>Improved air quality</li> <li>Low levels of crime and ASB</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Dynamic and diverse local economy</li> <li>Vibrant town centres</li> <li>Improved performance/ productivity of local economy</li> <li>Increased employment and income levels</li> </ul>
Internal		
Effective Staff	Maintain or Improve Services	Financial Footing over the Longer Term
<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>All staff are properly trained</li> <li>All staff have the appropriate tools</li> <li>All staff are engaged, empowered and supported</li> <li>The right people are in the right job with the right skills and right behaviours</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Focusing on our customers' needs</li> <li>Continuously improve our processes</li> <li>Increase the digital provision of service</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Better return/use of our assets</li> <li>Full cost accounting</li> <li>Continued cost management</li> <li>Maximise income earning opportunities</li> <li>Seek best value for money</li> </ul>



# 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.

# Our Services

The Council provides valuable and accessible services for the community which helps to promote Warwick District as a great place to live, work and visit and these include:

## FINANCE

- Accountancy
- Audit & Risk
- Procurement

## ICT

- Application Support
- GIS
- Helpdesk & Technical Support
- Infrastructure Services

## PEOPLE & COMMUNICATIONS

- People
- Communications

## DEVELOPMENT

- Development Management
- Building Control

## COMMUNITY PROTECTION

- Community Safety
- Environmental Health & Safety

## PLACE & ECONOMY

- Policy & Projects

## CULTURE, TOURISM & LEISURE

- Arts
- Sports & Leisure
- Programme Manager
- Commonwealth Games

## ASSETS

- Compliance
- Technical

## ENVIRONMENT & OPERATIONS

- Contact Centre
- Green Spaces
- Programme Team
- Bereavement Services

## REVENUES & CUSTOMER SERVICES

- Exchequer
- Benefits & Customer Services

## LAW & GOVERNANCE

- Democratic Services

## HOUSING

- Housing Needs
- Landlord Operations
- Housing Strategy & Development
- Business Development & Change



# Resource Strategies

Fit for the Future is supported by four resource strategies (Digital, People, Finance and Asset) which set out how the Council plans to utilise its resources to achieve its objectives:

## DIGITAL STRATEGY

In 2022 the Council will launch a new Digital Strategy built around the delivery of inclusive, valuable, and effective digital services that meet the needs of our communities. Our strategy we will define our vision for digital services, establish key priorities for our ICT and Digital Teams and shape how we develop and deploy digital technologies across services; to ensure our future sustainability and continued achievement of the Council's strategic priorities.

## PEOPLE STRATEGY

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

## MEDIUM TERM FINANCIAL STRATEGY FOR 2021/2022 TO 2025/2026

The Medium Term Financial Strategy (MTFS) was approved by Council on 11 February 2022. This document sets out the financial framework used to ensure adequate financial resources are available to achieve the Council's objectives, and that appropriate action is taken to address significant future challenges.

## ASSET STRATEGY

A new and updated Asset Management Strategy is being developed, which will enable the Council to assess, categorise and agree options and interventions for each of our corporate and commercial assets. This will also assist in meeting the Climate Emergency agenda and the emerging Council Action Plan.

Visit our website for more information on these strategies.

# Annual Service Area Plans

The Council has thirteen Service Areas - ICT, People and Communication, Culture, Tourism & Leisure, Revenues & Customer Services, Finance, Development Services, Environment & Operations. Community Protection, Law & Governance, Place & Economy, Strategic Leadership, Housing Services and Assets. 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 2021/22 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 Cabinet at the end of the municipal year.

# The Council's Performance at a glance 2021/22

## CORPORATE ACHIEVEMENTS

Facilitated the successful introduction of **hybrid working** at Riverside House

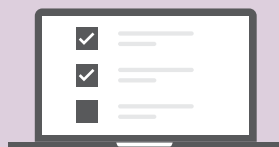


**£7.3m**  
in grants secured to help residents improve the energy efficiency of their homes

## FINANCE



Implemented a brand new, **Council-wide Financial Management System**



Procurement Strategy updated to help us achieve **net-zero carbon**

## ICT

Completed more than **300** major operating system upgrades remotely



Reached the nationally recognised **gold standard** for all our local land and property gazetteer

## PEOPLE & COMMUNICATION



Completed over **500** design & advertising jobs, and over **700** print jobs



Delivered **88** remote training sessions to **706** staff & councillors



**5** New Apprentices joined with **4** previous apprentices securing full-time roles

## DEVELOPMENT



Successful continuation of **Warwick District Markets**, with Warwick featuring in the Market Times magazine



Over **2,000** planning & related applications dealt with



Close to **100%** of land charge searches completed in the required timescale

## COMMUNITY PROTECTIONS



**320** CCTV reviews completed for Warwickshire Police with **136** evidence packages produced

Over **£12,000** donated to local charities assisting vulnerable people through meaningful change initiatives



**15,000** anti-spiking drinks lids distributed to pubs & clubs in the area.

## PLACE & ECONOMY



Planning permission granted and work underway on **cycle trails** at Newbold Comy



Work progressed on **Trees for future** project, including securing grant money

## CULTURE, TOURISM & LEISURE



Official opening  
of the  
**Whitnash Civic Centre  
& Library**



**22,500**  
football matches played  
on WDC pitches by over  
**75,000** players



**6,000**  
visits to Edmonscombe  
Athletics Track

## ASSETS

Further **improvements to  
Victoria Park and Riverside  
Walks**, including work to  
pathways, Tennis & Bowls  
pavilions.



**154**  
adaptations completed to  
Council properties improving  
accessibility for our tenants



**220**  
new kitchens and  
bathrooms in  
over **185** properties

## ENVIRONMENT & OPERATIONS

Work undertaken on  
introducing the new **123+**  
**waste collection service**

**3,958** trees planted on  
WDC land, contributing to  
**160,000** Trees for Future  
project



**44**  
new electric  
vehicle points installed  
in car parks

## REVENUES & CUSTOMER SERVICES

**£10.5m**  
in business support Covid  
grants paid to 1,500 businesses



**98.27%** of Council Tax  
and **97.36%** of Business  
Rates collected

## LAW & GOVERNANCE



**77**  
Committee meeting  
videos on YouTube with  
**12,706** views



Delivered **Covid safe**  
**County & Police Commissioner elections,**  
2 district & 4 town by-elections and 4 neighbourhood plan  
referendums



## HOUSING



**94**  
New Council homes built

**296**

households with homelessness  
prevented or relieved



**746**  
households rehoused via  
HomeChoice

# Financial Overview 2021/22

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.

Revenue resources available to finance the General Fund budget, used to provide services are forecast to be approximately £14.421m by 2024/25. A year by year breakdown is shown in the diagram below:

REVENUE RESOURCES	2021/22 Actual '£000	2022/23 Forecast '£000	2023/24 Forecast '£000	2024/25 Forecast '£000
Revenue Support Grant	0	0	0	0
Business Rates	(5,370)	7,627	3,586	3,658
Collection Fund Balance	(39)	(23)	(54)	0
New Homes Bonus	3,269	2,681	0	0
Other Grants and Government Funding	6,870	392	0	0
Council Tax	9,889	9,975	10,366	10,763
<b>Total Revenue Resources</b>	<b>14,619</b>	<b>20.652</b>	<b>13.898</b>	<b>14.421</b>

The currently approved Medium Term Financial Strategy (MTFS) forecasts a deficit of £2.467m by 2025/26. This position is reliant on delivering a number of ambitious savings proposals agreed December 2020, while also bringing forward further schemes.

Other future changes that are anticipated to have an impact on the Council's finances are:

- Longer Term Local Finance Settlement being agreed by Government
- Continuing revenue losses arising from COVID-19, and the uncertainty around the future economic impact to the proportion of Business Rates income retained by local authorities from 2022/23.
- Economic Changes arising from current World Events.
- 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 customers' needs. The Council will continue to revise its MTFS to reflect future changes, providing updates to Cabinet / Council for approval as necessary.

For 2021/22 the Council approved a net General Fund budget of £9.899m which resulted in a D Band Council Tax charge of £176.86, an increase of £5 (3%) compared to the previous year.

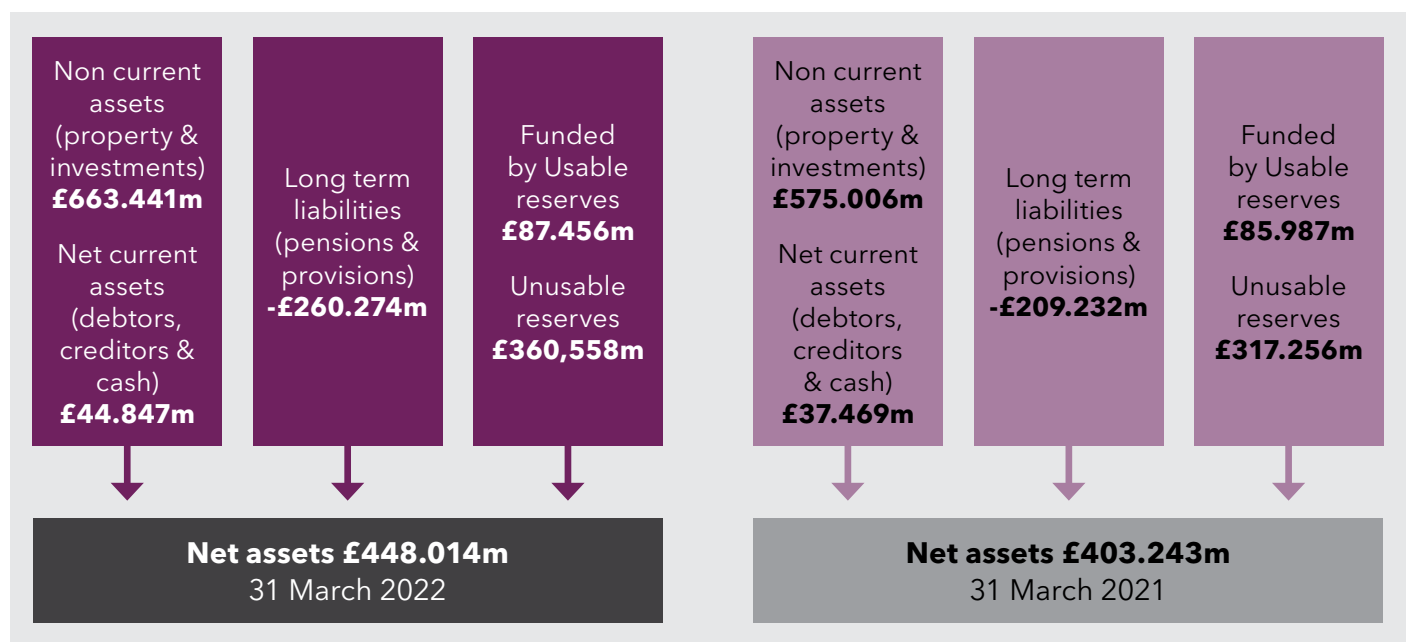
# Financial Overview 2021/22



## DURING THE YEAR, THE COUNCIL:

- Collected over £59.573m of Business Rates and £112.216m of Council Tax, of which £141.578m (82%) is passed onto Central Government and other agencies.
- Managed £10.301m of Investment Property which generated £0.690m of rental income which was used to support the provision of services within the District.
- Spent £105.058m (gross expenditure) on Council services.
- Received £51.731m of fees, charges and other service income, and Government grants and other contributions of £46.591m which were used to deliver Council services.
- Invested surplus cash balances to generate £0.244m of interest received.

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



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 2021/22 is £31.414m, which is £29.914m above the specified minimum amount. £26.904m of this total relates to Earmarked Reserves which have been set aside for specific purposes.

# Financial Performance 2021/22

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	Budget £000	Actual £000	Variation £000
Assets	3,358	1,443	(1,915)
Community Protection	2,536	2,900	364
Culture, Tourism & Leisure	5,837	3,720	(2,117)
Development Services	216	951	735
Environment & Operations	10,416	8,163	(2,253)
Finance	(269)	1,123	1,392
Housing Services - GF	1,326	983	(343)
Housing Services - HRA	2,828	3,932	1,104
ICT Services	236	193	(43)
Law & Governance	1,482	1,363	(119)
People and Communication	76	11	(65)
Place & Economy	2,204	2,418	214
Revenues & Customer Services	1,351	1,324	(27)
Strategic Leadership	1,400	6,075	4,675
Strategic Leadership Investment	(370)	(345)	25
<b>Net Revenue Expenditure on Services</b>	<b>32,627</b>	<b>34,254</b>	<b>1,627</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 deficit of £0.027m, and a HRA surplus of £0.039m, both of which have been allocated to reserves.



# Financial Performance 2021/22

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

Revenue Outturn Variances 2021/22		
Account Group	Amount	Description
<b>Employees</b>	£564	<ul style="list-style-type: none"> <li>Salaries underspent by -£827k due to recruitment and retention challenges</li> <li>IAS19 Adjustments overspent by £1.539m</li> <li>Provisions &amp; Insurance underspent by -£138k</li> </ul>
<b>Premises Related Expenditure</b>	-£2,737	<ul style="list-style-type: none"> <li>Utilities overspend by £34k including by biomass boiler additional income off £24k</li> <li>Council Tax overspend by £170k</li> <li>Rates underspent by £50k due to Government Rates Refund</li> <li>Repair &amp; Maintenance underspent by £2.692m</li> </ul>
<b>Supplies and Services</b>	-£3,050	<ul style="list-style-type: none"> <li>Consultancy underspent by £1.181m due to delayed projects and Vacancies within Service</li> <li>Bad Debts Provision decreased in year by £623k</li> <li>General IT spend reduced by £106k due to delays in the merger and equipment replacement programme during covid</li> <li>COVID Contingency underspend by £423k</li> <li>Linen St feasibility underspent by £110k, transferred to new year spend</li> <li>One stop digital transformation underspent by £49k</li> </ul>
<b>Third Party Payments</b>	-£648	<ul style="list-style-type: none"> <li>Refund of Covent Garden Electricity underspent £97k</li> <li>Trees for Future project paused underspent £45k</li> <li>Suez waste contract extension underspent £528k but due next - funds transfer to new year</li> </ul>
<b>Agency Spend</b>	-£2,591	<ul style="list-style-type: none"> <li>Rent Allowances and Rent Rebates have been reducing over past few years as most new claimants have transferred to universal credit. Linked to Government Grants below.</li> </ul>
<b>Support Charges</b>	£339	<ul style="list-style-type: none"> <li>Reduction in HRA contribution</li> </ul>
<b>Capital Charges</b>	£3,124	<ul style="list-style-type: none"> <li>REFCUS overspend by £6.509m</li> <li>Notional Interest underspend by £3.452m as not charged this year</li> </ul>
<b>Contributions to Reserves / Capital</b>	£2,293	<ul style="list-style-type: none"> <li>Reduction in HRA contributions</li> </ul>
<b>Government Grants</b>	£3,026	<ul style="list-style-type: none"> <li>Reduced expenditure to match funding reduction in Government Grants</li> </ul>

## 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 these services is met from rents, service charges and grant funding. In 2021/22 £28.525m of income was received, of which £25.806m related to dwelling rents from 5,527 properties. £20.489m of this was spent on providing revenue services in year, a contribution to the HRA Capital Investment Reserve (CIR) of £3.893m was achieved from operating surpluses, to be used to finance future housing projects.

As outlined in the Housing Investment Programme (HIP) which was approved in February 2021 Cabinet, the HRA Capital Investment reserve balance at 31 March 2022 equals £23,203m, and the Major Repairs Reserve (MRR) balance (used to fund capital expenditure improving HRA assets, or to repay HRA debt) is £5.394m,. The Council Plans to spend £13.920m in 2022/23 to improve its housing stock including £750k in Slippage works from 2021/22 which is pending approval in the Year End Cabinet Report. This is following an investment of £7.648m in 2020/21.

# Capital Programme 2021/22 to 2025/26

The Council has an ambitious five year capital programme: it is planning to spend £229.211m 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 at Kenilworth's Castle Farm and Abbey Fields sports & Leisure centres, building a new regional Materials Recycling Facility, purchasing new waste vehicles and establishing Tach Brook County Park and Newbold Comyn
- 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

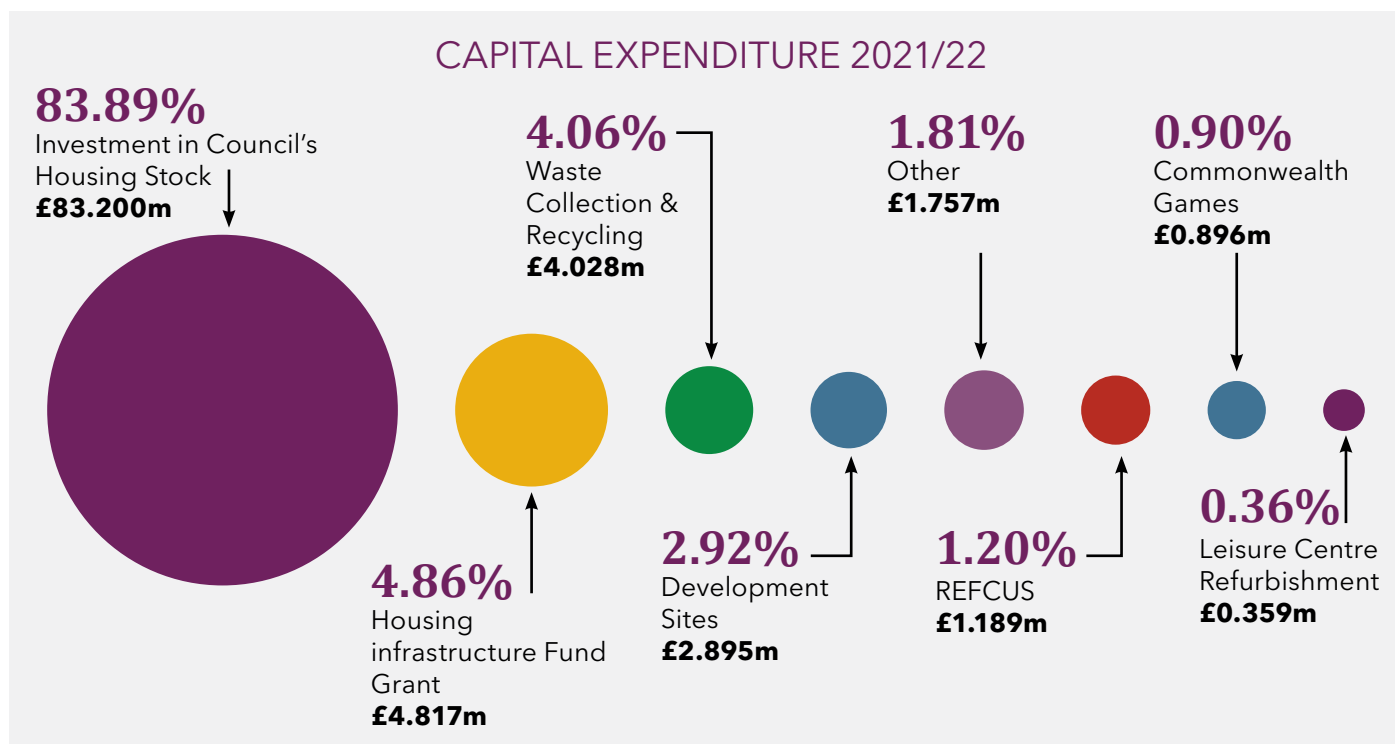
The main sources of funding for these future works are Right to Buy sales of council homes to eligible tenants (£4.657m accumulative total), other usable capital receipts (£1.131m), contributions to capital works from developers (£14.212m), use of the Council's own resources - either by revenue contributions to capital projects (£1.091m) or the use of earmarked reserves (£57.727m), and borrowing provided the Council can demonstrate that it can afford to service the debt (£20.285m).

The 2020/21 total capital budget of £59.808m was approved at the Council Meeting on 11 February 2021. This was subsequently revised to £77.148m with the addition of re-profiled expenditure from the previous financial year and further approvals in the year. Actual capital expenditure for 2021/22 was £98.309m (£44.760m 2020/21). The charts below detail this expenditure and the accompanying financing.





# Capital Programme 2021/22



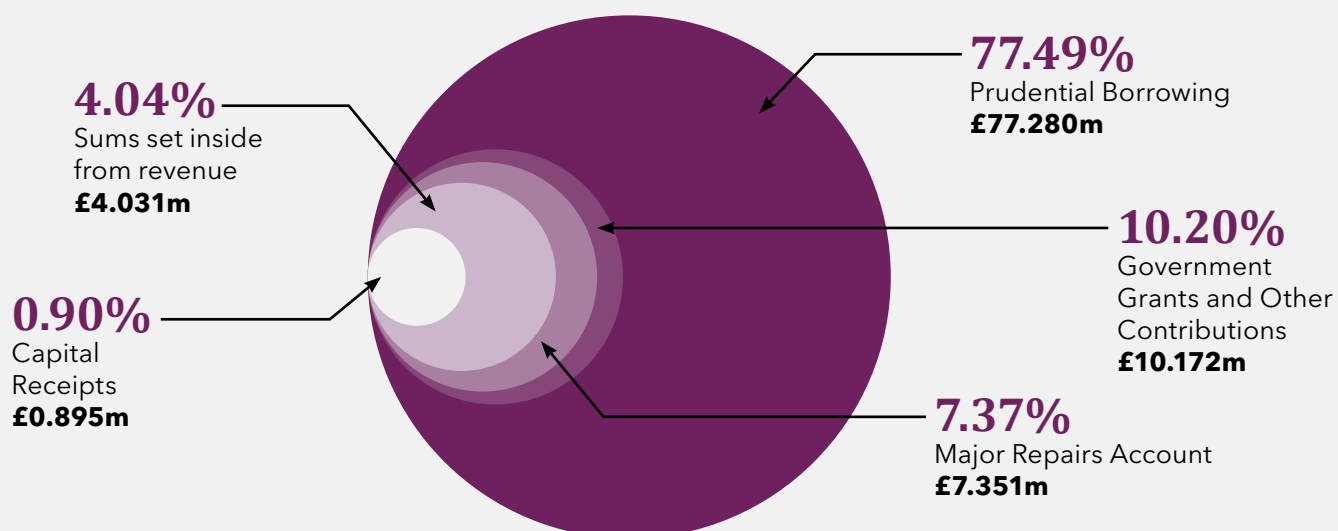
The expenditure analysis by portfolio, together with explanations of major project variances occurring in 2021/22 is shown in the tables below.

Capital Expenditure 2021/22	Latest Budget £000	Actual £000	Variation £000
Culture, Tourism & Leisure	3,649	2,134	1,515
Development Services	6,696	6,249	447
Finance	200	159	41
Community Protection	196	127	69
Environment & Operations	6,194	4,255	1,939
Strategic Leadership	1,126	161	965
<b>Total Other Services Expenditure</b>	<b>18,061</b>	<b>13,085</b>	<b>4,976</b>
New Build/Reprovision of Housing	45,343	78,904	(33,561)
Improvements/Renewals	14,190	6,319	7,871
<b>Total HRA Related Housing Investment Programme (HIP)</b>	<b>62,365</b>	<b>34,482</b>	<b>(27,883)</b>
<b>TOTAL Capital Expenditure</b>	<b>77,594</b>	<b>98,308</b>	<b>(20,714)</b>

## CAPITAL EXPENDITURE VARIANCES 2021/22

Major variances caused by:	
<b>Culture, Tourism &amp; Leisure</b>	<b>Kenilworth Leisure Centre New Build - £1.1m</b> - Project was scheduled to commence in January 2022, due to numerous circumstances including discharging of planning conditions and the volatility of the construction industry following BREXIT and the pandemic this was not possible. <b>Commonwealth Games - £0.37m</b> - Underspend for the project was as a consequence primarily of the delayed start to construction works at Leamington Spa Station and Prices Drive car park developments.
<b>Development Services</b>	<b>Future High Street - £0.82m</b> - Various delays in the project e.g. Post Office unable to release lease, Sorting Office needs suitable relocation, Town Hall procurement delay, Spencer Yard reassessment of increased construction costs and impact on grant needed. <b>Community Stadium Project - £0.3m</b> - Delayed due to exploring different delivery options.
<b>HRA Related HIP</b>	<b>Housing acquisitions and developments - £16.4m</b> - delayed by planning taking ages or the timing of the phased handovers has ended up staggering 2 years.
<b>Environment &amp; Operations</b>	<b>Victoria Park Play Area - £0.36m</b> - Delayed due to prolonged discussions/agreements with Conservation Planning and the planning process. Also long lead in times for a specialist bespoke piece of equipment. <b>Tach Brook Country Park - £0.44m</b> - Delays have been experienced in the completion of the design and land transfers. <b>Sherbourne Resource Park - £9.1m</b> - Delays to do with supply chain for steel and concrete (due to HS2). Therefore the drawdowns have been rescheduled.
<b>Strategic Leadership</b>	<b>Decarbonisation Grant - £0.83m</b> - Scheme stopped and remaining grant being returned.

## CAPITAL FINANCING 2021/22



# Key Strategic Partnerships

**Milverton Homes Ltd.** During 2020/21 Warwick District Council created a wholly owned Local Housing Company subsidiary named Milverton Homes Ltd. Milverton Homes Business Plan was approved by the Council's Cabinet on the 10 December 2020. The Company was incorporated with Companies House on 8 January 2021 with the nature of the business being 4110 - Development of building projects. Four directors have been appointed to Milverton Homes Board and registered at Companies House and the accounting reference period has been aligned with the Council's.

Milverton Homes entered into a joint venture, which is planned to last at least 6 years up to 2028 and will provide 248 affordable and social housing dwellings, which will be constructed and sold to the Council's HRA in phases.

Milverton Homes will also acquire 62 Market Rate Rental Dwellings from the Joint Venture, to be let out to the public and managed in line with agreed Market Rental Letting Policies. These dwellings will enable Milverton Homes to generate its own income to ensure future operations are financially viable.

# 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 2021/22 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 Cabinet.

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 in 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.



## LEISURE CENTRES

The demolition and complete rebuild of Abbey Fields Swimming Pool in Kenilworth to include a 25m long main pool and a 15m Family pool with a wall of bio-fold doors opening to a sun terrace.

The demolition of Castle Farm Recreation Centre and new build of Castle Farm Leisure Centre featuring sports hall the size of 6 badminton courts, 3 fitness studios and an 80 station gymnasium.



## NEW ATHLETIC STADIUM

To be built near the Community Stadium off Fusiliers Way in Warwick and will provide brand new facilities, replacing the current Edmondscote Sports Ground and will offer a home of excellence for the local athletics clubs and the many schools which surround the development.



## LEAMINGTON TOWN CENTRE TRANSFORMATION FRAMEWORK

The Creative Quarter at Spencer Yard to commence the regeneration of run-down buildings in that area for use of creative industries. The Framework will include projects for the Creative Hub in the Town Hall, new pedestrian footbridge over the River Leam from the Parade to Spencer Yard and the new East West and North South cycle routes through Leamington Town Centre.

# 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 2021/22

There are no significant changes to the 2021/22 Statement of Accounts.

## 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.

## RECEIPT OF FURTHER INFORMATION

If you would like to receive further information about these accounts, please do not hesitate to contact Andrew Rollins, please see below for details.

## 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.

### **Andrew Rollins, ACMA, CGMA**

Head of Finance  
Warwick District Council  
Riverside House, Milverton Hill  
Royal Leamington Spa  
Warwickshire, CV32 5HZ



# The Councils 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 2022, and its income and expenditure in the year ended 31 March 2022.

10 November 2024

Andrew Rollins, ACMA, CGMA  
Head of Finance  
Warwick District Council  
Riverside House  
Milverton Hill  
Royal Leamington Spa  
Warwickshire  
CV32 5HZ

## Approval of Statement of Accounts

Statement of Accounts is to be approved at the Warwick District Council Audit and Standards Committee meeting held on 12 December 2024.

Chair of the Meeting  
Councillor Hales



# Comprehensive Income and 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.

Gross Expenditure 2020/21 £000	Gross Income 2020/21 £000	Net Expenditure 2020/21 £000	Portfolio	Note	Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure 2021/22 £000
905	(413)	492	Assets		2,064	(620)	1,444
1,880	(491)	1,389	Community Protection		2,400	(865)	1,535
4,415	(867)	3,548	Culture, Tourism & Leisure		5,792	(2,072)	3,720
3,119	(2,152)	967	Development Services		3,952	(3,002)	950
2,570	(748)	1,822	Place & Economy		3,169	(751)	2,418
12,000	(5,391)	6,609	Environment & Operations		15,735	(7,573)	8,162
2,637	(5,503)	(2,866)	Finance		2,494	(1,372)	1,122
5,806	(2,283)	3,524	Housing Services - GF		5,202	(2,855)	2,347
19,150	(28,767)	(9,617)	Housing Services - HRA		24,249	(28,554)	(4,305)
190	(53)	137	ICT Services		287	(94)	193
1,632	(13)	1,619	Law & Governance		1,827	(465)	1,362
234	(30)	204	People and Communication		96	(85)	11
25,763	(24,058)	1,705	Revenues & Customer Services		23,685	(22,361)	1,324
1,681	(68)	1,613	Strategic Leadership		6,144	(69)	6,075
<b>81,982</b>	<b>(70,837)</b>	<b>11,146</b>	<b>Cost of Services - continuing operations</b>		<b>97,096</b>	<b>(70,738)</b>	<b>26,358</b>
2,719	(756)	1,963	Other Operating Income and Expenditure	11	2,798	(6,937)	(4,139)
6,160	(2,454)	3,706	Financing and Investment Income and Expenditure	12	6,139	(2,302)	3,837
5,695	(36,416)	(30,721)	Taxation and Non-Specific Grant Income and Expenditure	13	5,408	(37,484)	(32,076)
		<b>(13,906)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(6,020)</b>
		(11,030)	(Surplus) or Deficit on revaluation of Non Current Assets	24			(26,091)
		1,764	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	24			8,103
		0	Surplus or deficit on revaluation of available for sale financial assets	24			0
		11,512	Remeasurement of the net defined benefit liability / (asset)	24			(20,845)
		<b>2,246</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(38,833)</b>
		<b>(11,660)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(44,853)</b>

<sup>1</sup> The 2020/21 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 7 - prior period adjustments.

## 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.

2021/22	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 2021 carried forward</b>	<b>36,203</b>	<b>30,952</b>	<b>7,830</b>	<b>5,994</b>	<b>5,008</b>	<b>85,987</b>	<b>317,256</b>	<b>403,243</b>
<b>Movement in reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	4,380	1,638	-	-	-	6,018	34,594	40,612
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	(10,366)	(1,069)	5,566	156	1,164	(4,549)	8,708	4,159
<b>Increase / (Decrease) in 2021/22</b>	<b>(5,986)</b>	<b>569</b>	<b>5,566</b>	<b>156</b>	<b>1,164</b>	<b>1,469</b>	<b>43,302</b>	<b>44,771</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>30,217</b>	<b>31,521</b>	<b>13,396</b>	<b>6,150</b>	<b>6,172</b>	<b>87,456</b>	<b>360,558</b>	<b>448,014</b>

2020/21	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 2020 carried forward</b>	<b>23,073</b>	<b>26,937</b>	<b>7,257</b>	<b>6,500</b>	<b>2,147</b>	<b>65,914</b>	<b>325,655</b>	<b>391,569</b>
<b>Movement in reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure	8,212	5,694	-	-	-	13,906	(2,246)	11,660
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	4,918	(1,679)	573	(506)	2,861	6,167	(6,153)	14
<b>Increase / (Decrease) in 2020/21</b>	<b>13,130</b>	<b>4,015</b>	<b>573</b>	<b>(506)</b>	<b>2,861</b>	<b>20,073</b>	<b>(8,399)</b>	<b>11,674</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>36,203</b>	<b>30,952</b>	<b>7,830</b>	<b>5,994</b>	<b>5,008</b>	<b>85,987</b>	<b>317,256</b>	<b>403,243</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 5 September 2022 and the audited accounts were issued on 12 December 2024.

31 March 2021 £'000		Note	31 March 2022 £'000
	<b>Operational Assets:</b>		
411,124	Council Dwellings		438,085
7,967	HRA Land and Buildings		8,117
73,460	Other Land and Buildings		72,791
4,315	Vehicles, Plant, Furniture and Equipment		5,231
3,368	Infrastructure Assets		4,192
7,687	Community Assets		7,712
	<b>Non-Operational Assets</b>		
1,623	Surplus Assets		1,610
32,477	Assets under Construction		46,682
<b>542,021</b>	<b>Property, Plant and Equipment</b>	<b>14</b>	<b>584,420</b>
9,035	Heritage Assets	15	9,091
10,035	Investment Properties	16	10,301
250	Intangible Assets		533
6,641	Long Term Investments	17	377
7,024	Long Term Debtors	17	58,719
<b>575,006</b>	<b>Long Term Assets</b>		<b>663,441</b>
19,513	Short Term Investments	17	25,528
0	Assets Held for Sale	18	0
16	Inventories		14
23,945	Short Term Debtors	19	9,143
28,390	Cash and Cash Equivalents	21	46,674
<b>71,864</b>	<b>Current Assets</b>		<b>81,359</b>
(33,491)	Short Term Creditors	22	(36,259)
(904)	Provision Liabilities payable in less than 1 year	23	(254)
<b>(34,395)</b>	<b>Current Liabilities</b>		<b>(36,513)</b>
(153)	Long Term Creditors		(153)
(3,331)	Provision Liabilities payable in more than 1 year	21	(3,637)
(148,157)	Long Term Borrowing	17	(208,157)
(12)	Other Long Term Liabilities	17	0
(7,733)	Capital External Grants/Contributions in Advance	34	(11,852)
(49,846)	Net Pensions Liability	39	(36,475)
<b>(209,232)</b>	<b>Long Term Liabilities</b>		<b>(260,274)</b>
<b>403,243</b>	<b>Net Assets</b>		<b>448,013</b>
85,987	Usable Reserves	33	87,455
317,256	Unusable Reserves	24	360,558
<b>403,243</b>	<b>Total Reserves</b>		<b>448,013</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.

2020/21 £000		Notes	2021/22 £000
(13,906)	Net (Surplus) or deficit on the provision of services		(10,399)
(11,284)	Adjust net (surplus) or deficit on the provision of services for non cash movements	24	(43,918)
	Adjust for items included in the net (surplus) or deficit on the		
10,381	provision of services that are investing and financing activities	24	7,208
<b>(14,809)</b>	<b>Net cash flows from Operating Activities</b>		<b>(47,109)</b>
13,794	Investing Activities	25	82,855
2,738	Financing Activities	26	(57,347)
<b>1,723</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(21,602)</b>
(30,113)	Cash and cash equivalents at the beginning of the reporting period		(28,390)
<b>(28,390)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(49,992)</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 2021/22 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 de-minimis limit will be material to the overall accounting position.

### **Cash and Cash Equivalents**

Cash is represented by cash at bank, cash floats 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, these are non-time specific investments and can be utilised on demand to meet the cash flow needs of the authority.

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 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 2.7% (2.0% in 2020/21) 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 pension's 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 based on cash flows rather than as benefits are earned by employees.

#### 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 August. 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 August 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.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all 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 grant or 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 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 are 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.

#### 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 based on usage of services within the year by use of time recording, or on budget allocation, except for:

- 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.

## **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,
- 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 depreciation 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.

## **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 Capital Improvement Scheme 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.

- **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 2024/25 and will apply from 1 April 2024.

### 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:

- There remains uncertainty around future funding levels for Local Government. However we have determined this is not yet sufficient to provide an indication that levels of service provision may need to be reduced, or that assets of the Council might be impaired because of the need to close facilities.
- All the Council's Investment Properties were revalued in 2021/22 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.

### 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 2022 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 - Asset Life	Assets are depreciated by type over standardised useful lives. These lives are dependent on the individual asset condition and assumptions about the level of repairs and maintenance that will be incurred.	Were the asset valuations to differ from those included within the Statement of Accounts, the carrying amount of the asset would change as follows: 2% £10.200m 5% £25.000m 10% £50.999m Currently, the Revaluation Reserve balance is £140.211m, which would change by the amount of any respective movement in valuation.
Property, Plant and Equipment - Depreciation	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £225k for every year that the useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2022, the Council had a balance of arrears of Housing Rents, Council Tax, Business Rates and other sundry debtors of £8.231m. A review of the above suggested that an impairment of doubtful debts of 42.06% (£3.462m) was appropriate.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £3.462m to be set aside as an allowance.
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 March 2022 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>	An increase over the forthcoming year of 10% in settlements would have the effect of adding £0.389m to the provisions needed.
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 Note 39 Defined Benefit Pension Schemes.</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 2 September 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events took place before this date, provided information about conditions existing at 31 March 2022, 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 2022 there are two key events after the Reporting Period for the Council to disclose.

### **South Warwickshire District Council – Merger between Warwick District Council and Stratford-on-Avon District Council.**

A New Management Structure was implemented on 12 May 2022 following the recommendation from the Leaders of both Warwick District Council and Stratford upon Avon District Council to withdraw the request to merge and create South Warwickshire District Council.

### **Warwick District Council and Stratford upon Avon District Council Joint Waste Contract.**

During 2022/23, Warwick District Council and Stratford upon Avon District Council entered into a joint contract with Biffa Waste Services Ltd for the collection of waste commencing 1 August 2022. The duration of the contract is for eight years. The vehicles used within the contract were jointly purchased and owned by the two authorities. Vehicle and operational costs are / will be apportioned between the authorities accordingly.

## 6. 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.

Portfolio:	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
2021/22	£000	£000	£000
Assets	977	467	1,444
Community Protection	336	1,199	1,535
Culture, Tourism & Leisure	3,999	(279)	3,720
Development Services	391	559	950
Environment & Operations	7,428	734	8,162
Finance	1,106	16	1,122
Housing Services - GF	2,101	246	2,347
Housing Services - HRA	(1,682)	(2,623)	(4,305)
ICT Services	(54)	247	193
Law & Governance	1,272	90	1,362
People and Communication	(190)	201	11
Place & Economy	1,580	838	2,418
Revenues & Customer Services	950	374	1,324
Strategic Leadership	1,118	4,957	6,075
<b>Net Costs of Services</b>	<b>19,332</b>	<b>7,026</b>	<b>26,358</b>
Other Operating Income and Expenditure	(10,104)	(22,274)	(32,378)
<b>(Surplus) or Deficit</b>	<b>9,228</b>	<b>(15,248)</b>	<b>(6,020)</b>
	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
<b>Opening Balance</b>	(36,203)	(30,953)	<b>(67,156)</b>
Less/Plus Surplus / (Deficit)	5,986	(568)	<b>5,418</b>
<b>Closing Balance at 31 March 2022</b>	<b>(30,217)</b>	<b>(31,521)</b>	<b>(61,738)</b>

Restatement of 2020/21	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
Assets	137	355	492
Community Protection	(631)	2,020	1,389
Culture, Tourism & Leisure	2,773	775	3,548
Development Services	666	301	967
Environment & Operations	5,838	771	6,609
Finance	(1,148)	(1,718)	(2,866)
Housing Services - GF	3,426	98	3,524
Housing Services - HRA	(8,537)	(1,080)	(9,617)
ICT Services	(51)	188	137
Law & Governance	1,589	30	1,619
People and Communication	136	68	204
Place & Economy	1,201	621	1,822
Revenues & Customer Services	1,583	122	1,705
Strategic Leadership	1,042	571	1,613
<b>Net Costs of Services</b>	<b>8,024</b>	<b>3,122</b>	<b>11,146</b>
Other Income and Expenditure	(25,027)	(25)	(25,052)
<b>(Surplus) or Deficit</b>	<b>(17,003)</b>	<b>3,097</b>	<b>(13,906)</b>
	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
<b>Opening Balance</b>	(23,073)	(26,937)	<b>(50,010)</b>
Less/Plus Surplus / (Deficit)	(13,130)	(4,015)	<b>(17,145)</b>
<b>Closing Balance at 31 March 2021</b>	<b>(36,203)</b>	<b>(30,952)</b>	<b>(67,155)</b>

<sup>1</sup> The 2020/21 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 7 - prior period adjustments.

## Note to the Expenditure and Funding Analysis:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pension Adjustment (Note 2) £000	Other Adjustments (Note 3) £000	Total Adjustments £000
Assets	(281)	(193)	7	(467)
Community Protection	(798)	(409)	8	(1,199)
Culture, Tourism & Leisure	655	(378)	2	279
Development Services	(107)	(462)	10	(559)
Environment & Operations	(387)	(358)	11	(734)
Finance	101	(123)	6	(16)
Housing Services - GF	(26)	(226)	6	(246)
Housing Services - HRA	3,274	(660)	9	2,623
ICT Services	(2)	(249)	4	(247)
Law & Governance	(1)	(89)	-	(90)
People and Communication	(12)	(193)	4	(201)
Place & Economy	(575)	(267)	4	(838)
Revenues & Customer Services	-	(386)	12	(374)
Strategic Leadership	(4,817)	(145)	5	(4,957)
<b>Net Cost Of Services</b>	<b>(2,976)</b>	<b>(4,138)</b>	<b>88</b>	<b>(7,026)</b>
Other income and expenditure from the Expenditure and Funding Analysis	16,495	(1,060)	6,870	22,305
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>13,519</b>	<b>(5,198)</b>	<b>6,958</b>	<b>15,279</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pension Adjustment (Note 2) £000	Other Adjustments (Note 3) £000	Total Adjustments £000
Assets	(284)	(95)	(4)	(383)
Benefits & Customer Services	-	(121)	(1)	(122)
Cultural Services	(694)	(83)	2	(775)
Development Services	(709)	(198)	(4)	(911)
Finance	1,803	(82)	(3)	1,718
Health & Community Protection	(1,902)	(118)	-	(2,020)
Housing Services - HRA	1,268	(180)	(8)	1,080
Housing Services - General Fund	(57)	(69)	(2)	(128)
ICT	(122)	(65)	(1)	(188)
Neighbourhood Services	(633)	(92)	1	(724)
People and Communication	(11)	(55)	(2)	(68)
Strategic Leadership	(527)	(68)	(2)	(597)
<b>Net Cost Of Services</b>	<b>(1,868)</b>	<b>(1,226)</b>	<b>(24)</b>	<b>(3,118)</b>
Other income and expenditure from the Expenditure and Funding Analysis	6,925	(971)	(6,075)	(121)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>5,057</b>	<b>(2,197)</b>	<b>(6,099)</b>	<b>(3,239)</b>

<sup>1</sup> The 2020/21 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 7 - prior period adjustments.

### Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables 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

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

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.

## Segmental Income

Income received on a segmental basis is analysed below:

Portfolio	2021/22 Income from Services £000	2020/21 Restated(1) Income from Services £000
Assets	(621)	(401)
Community Protection	(558)	(447)
Culture, Tourism & Leisure	(1,971)	(592)
Development Services	(2,902)	(2,146)
Environment & Operations	(7,494)	(5,391)
Finance	(99)	(142)
Housing Services - GF	(466)	(506)
Housing Services - HRA	(28,369)	(28,417)
ICT Services	(94)	(53)
Law & Governance	(412)	1
People and Communication	(85)	(30)
Place & Economy	(550)	(716)
Revenues & Customer Services	(481)	(237)
Strategic Leadership	(413)	(420)
<b>Total income analysed on a segmental basis</b>	<b>(44,515)</b>	<b>(39,497)</b>

## 7. Prior Year Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. 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.

Warwick District Council changed the profile of its Portfolio's within the accounting year 2021/22. In order to provide meaningful comparative information, the 2021/22 CIES, EFA, Notes to the EFA and Segmented Income figures have been restated to reflect the new Portfolio's.

## Comprehensive Income and Expenditure Statement 2020/21 restated to 2021/22 Portfolio.

Restatement of 2020/21 - Comprehensive Income & Expenditure Statement				
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/21
<b>Net Expenditure</b>				
Assets	(1,121)	1,613	492	Assets
Health & Community Protection	3,919	(2,530)	1,389	Community Protection
Cultural Services	3,440	108	3,548	Culture, Tourism & Leisure
Development Services	2,934	(1,967)	967	Development Services
Neighbourhood Services	7,492	(883)	6,609	Environment & Operations
Finance	1,271	(4,137)	(2,866)	Finance
Housing Services - General Fund	1,334	2,190	3,524	Housing Services - GF
Housing Revenue Account	(9,617)	-	(9,617)	Housing Services - HRA
ICT	137	-	137	ICT Services
	-	1,619	1,619	Law & Governance
People and Communication	204	-	204	People and Communication
	-	1,822	1,822	Place & Economy
Benefits & Customer Services	1,701	4	1,705	Revenues & Customer Services
Strategic Leadership	(1,090)	2,703	1,613	Strategic Leadership
<b>Cost of Services - continuing operations</b>	<b>10,604</b>	<b>542</b>	<b>11,146</b>	
Other Operating Income and Expenditure	1,963	-	1,963	Other Operating Income and Expenditure
Financing and Investment Income and Expenditure	4,248	(542)	3,706	Financing and Investment Income and Expenditure
Taxation and Non-Specific Grant Income and Expenditure	(30,721)	-	(30,721)	Taxation and Non-Specific Grant Income and Expenditure
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(13,906)</b>	<b>0</b>	<b>(13,906)</b>	

Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/21
<b>Gross Expenditure</b>				
Assets	1,226	(321)	905	Assets
Health & Community Protection	4,482	(2,602)	1,880	Community Protection
Cultural Services	4,307	108	4,415	Culture, Tourism & Leisure
Development Services	5,834	(2,715)	3,119	Development Services
Neighbourhood Services	10,751	1,249	12,000	Environment & Operations
Finance	1,413	1,224	2,637	Finance
Housing Services - General Fund	3,566	2,240	5,806	Housing Services - GF
Housing Revenue Account	19,150	-	19,150	Housing Services - HRA
ICT	190	-	190	ICT Services
	-	1,632	1,632	Law & Governance
People and Communication	234	-	234	People and Communication
	-	2,570	2,570	Place & Economy
Benefits & Customer Services	25,759	4	25,763	Revenues & Customer Services
Strategic Leadership	4,352	(2,671)	1,681	Strategic Leadership
<b>Cost of Services - continuing operations</b>	<b>81,264</b>	<b>718</b>	<b>81,982</b>	
Other Operating Income and Expenditure	2,719	-	2,719	Other Operating Income and Expenditure
Financing and Investment Income and Expenditure	6,878	(718)	6,160	Financing and Investment Income and Expenditure
Taxation and Non-Specific Grant Income and Expenditure	-	5,695	5,695	Taxation and Non-Specific Grant Income and Expenditure
<b>(Surplus) or Deficit on Provision of Services</b>	<b>90,861</b>	<b>5,695</b>	<b>96,556</b>	

Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/21
<b>Gross Income</b>				
Assets	(2,347)	1,934	(413)	Assets
Health & Community Protection	(563)	72	(491)	Community Protection
Cultural Services	(867)	-	(867)	Culture, Tourism & Leisure
Development Services	(2,900)	748	(2,152)	Development Services
Neighbourhood Services	(3,259)	(2,132)	(5,391)	Environment & Operations
Finance	(142)	(5,361)	(5,503)	Finance
Housing Services - General Fund	(2,232)	(51)	(2,283)	Housing Services - GF
Housing Revenue Account	(28,767)	-	(28,767)	Housing Services - HRA
ICT	(53)	-	(53)	ICT Services
	-	(13)	(13)	Law & Governance
People and Communication	(30)	-	(30)	People and Communication
	-	(748)	(748)	Place & Economy
Benefits & Customer Services	(24,058)	-	(24,058)	Revenues & Customer Services
Strategic Leadership	(5,442)	5,374	(68)	Strategic Leadership
<b>Cost of Services</b>	<b>(70,660)</b>	<b>(177)</b>	<b>(70,837)</b>	
Other Operating Income and Expenditure	(756)	-	(756)	Other Operating Income and Expenditure
Financing and Investment Income and Expenditure	(2,630)	176	(2,454)	Financing and Investment Income and Expenditure
Taxation and Non-Specific Grant Income and Expenditure	(30,721)	(5,695)	(36,416)	Taxation and Non-Specific Grant Income and Expenditure
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(104,767)</b>	<b>(5,696)</b>	<b>(110,463)</b>	



## Note 6 – Expenditure and Funding Analysis 2020/21 restated to 2021/22 Portfolio.

Restatement of 2020/21 - Note 6 Expenditure and Funding Analysis				
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/21
<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>				
Assets	(1,504)	1,641	137	Assets
Health & Community Protection	1,899	(2,530)	(631)	Community Protection
Cultural Services	2,665	108	2,773	Culture, Tourism & Leisure
Development Services	2,023	(1,357)	666	Development Services
Neighbourhood Services	6,768	(930)	5,838	Environment & Operations
Finance	2,989	(4,137)	(1,148)	Finance
Housing Services - General Fund	1,206	2,220	3,426	Housing Services - GF
Housing Services - HRA	(8,537)	-	(8,537)	Housing Services - HRA
ICT	(51)	-	(51)	ICT Services
	-	1,589	1,589	Law & Governance
People and Communication	136	-	136	People and Communication
	-	1,201	1,201	Place & Economy
Benefits & Customer Services	1,579	4	1,583	Revenues & Customer Services
Strategic Leadership	(1,687)	2,729	1,042	Strategic Leadership
<b>Net Costs of Services</b>	<b>7,486</b>	<b>538</b>	<b>8,024</b>	
Other Income and Expenditure	(24,631)	(396)	(25,027)	Other Income and Expenditure
<b>(Surplus) or Deficit</b>	<b>(17,145)</b>	<b>142</b>	<b>(17,003)</b>	
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/21
<b>Adjustments between the Funding and Accounting Basis</b>				
Assets	383	(28)	355	Assets
Health & Community Protection	2,020	-	2,020	Community Protection
Cultural Services	775	-	775	Culture, Tourism & Leisure
Development Services	911	(610)	301	Development Services
Neighbourhood Services	724	47	771	Environment & Operations
Finance	(1,718)	-	(1,718)	Finance
Housing Services - General Fund	128	(30)	98	Housing Services - GF
Housing Services - HRA	(1,080)	-	(1,080)	Housing Services - HRA
ICT	188	-	188	ICT Services
	-	30	30	Law & Governance
People and Communication	68	-	68	People and Communication
	-	621	621	Place & Economy
Benefits & Customer Services	122	-	122	Revenues & Customer Services
Strategic Leadership	597	(26)	571	Strategic Leadership
<b>Net Costs of Services</b>	<b>3,118</b>	<b>4</b>	<b>3,122</b>	
Other Income and Expenditure	121	(146)	(25)	Other Income and Expenditure
<b>(Surplus) or Deficit</b>	<b>3,239</b>	<b>(142)</b>	<b>3,097</b>	
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/21
<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>				
Assets	(1,121)	1,613	492	Assets
Health & Community Protection	3,919	(2,530)	1,389	Community Protection
Cultural Services	3,440	108	3,548	Culture, Tourism & Leisure
Development Services	2,934	(1,967)	967	Development Services
Neighbourhood Services	7,492	(883)	6,609	Environment & Operations
Finance	1,271	(4,137)	(2,866)	Finance
Housing Services - General Fund	1,334	2,190	3,524	Housing Services - GF
Housing Services - HRA	(9,617)	-	(9,617)	Housing Services - HRA
ICT	137	-	137	ICT Services
	-	1,619	1,619	Law & Governance
People and Communication	204	-	204	People and Communication
	-	1,822	1,822	Place & Economy
Benefits & Customer Services	1,701	4	1,705	Revenues & Customer Services
Strategic Leadership	(1,090)	2,703	1,613	Strategic Leadership
<b>Net Costs of Services</b>	<b>10,604</b>	<b>542</b>	<b>11,146</b>	
Other Income and Expenditure	(24,510)	(542)	(25,052)	Other Income and Expenditure
<b>(Surplus) or Deficit</b>	<b>(13,906)</b>	<b>-</b>	<b>(13,906)</b>	

## Note 6 – Note to the Expenditure and Funding Analysis 2020/21 restated to 2021/22 Portfolio

Restatement of 2020/21- Note 6 Expenditure and Funding Analysis				
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/22
<b>Adjustments for Capital Purposes</b>				
Assets	(284)	(1)	(285)	Assets
Health & Community Protection	(1,902)	-	(1,902)	Community Protection
Cultural Services	(694)	-	(694)	Culture, Tourism & Leisure
Development Services	(709)	543	(166)	Development Services
Neighbourhood Services	(633)	(32)	(665)	Environment & Operations
Finance	1,803	-	1,803	Finance
Housing Services - General Fund	(57)	30	(27)	Housing Services - GF
Housing Services - HRA	1,268	-	1,268	Housing Services - HRA
ICT	(122)	-	(122)	ICT Services
	-	(2)	(2)	Law & Governance
People and Communication	(11)	-	(11)	People and Communication
	-	(543)	(543)	Place & Economy
Benefits & Customer Services	-	-	-	- Revenues & Customer Services
Strategic Leadership	(527)	2	(525)	Strategic Leadership
<b>Net Costs of Services</b>	<b>(1,868)</b>	<b>(3)</b>	<b>(1,871)</b>	
Other income and expenditure from the Expenditure and Funding Analysis	6,925	4	6,929	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>5,057</b>	<b>1</b>	<b>5,058</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/22
<b>Adjustments between the Funding and Accounting Basis</b>				
Assets	(95)	28	(67)	Assets
Health & Community Protection	(118)	-	(118)	Community Protection
Cultural Services	(83)	-	(83)	Culture, Tourism & Leisure
Development Services	(198)	66	(132)	Development Services
Neighbourhood Services	(92)	(16)	(108)	Environment & Operations
Finance	(82)	-	(82)	Finance
Housing Services - General Fund	(69)	-	(69)	Housing Services - GF
Housing Services - HRA	(180)	-	(180)	Housing Services - HRA
ICT	(65)	-	(65)	ICT Services
	-	(27)	(27)	Law & Governance
People and Communication	(55)	-	(55)	People and Communication
	-	(75)	(75)	Place & Economy
Benefits & Customer Services	(121)	-	(121)	Revenues & Customer Services
Strategic Leadership	(68)	23	(45)	Strategic Leadership
<b>Net Costs of Services</b>	<b>(1,226)</b>	<b>(1)</b>	<b>(1,227)</b>	
Other income and expenditure from the Expenditure and Funding Analysis	(971)	-	(971)	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>(2,197)</b>	<b>(1)</b>	<b>(2,198)</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>

Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/22
<b>Other Adjustments</b>				
Assets	(4)	1	(3)	Assets
Health & Community Protection	-	-	-	- Community Protection
Cultural Services	2	-	2	2 Culture, Tourism & Leisure
Development Services	(4)	1	(3)	Development Services
Neighbourhood Services	1	1	2	2 Environment & Operations
Finance	(3)	-	(3)	Finance
Housing Services - General Fund	(2)	-	(2)	Housing Services - GF
Housing Services - HRA	(8)	-	(8)	Housing Services - HRA
ICT	(1)	-	(1)	ICT Services
	-	(1)	(1)	Law & Governance
People and Communication	(2)	-	(2)	People and Communication
	-	(3)	(3)	Place & Economy
Benefits & Customer Services	(1)	-	(1)	Revenues & Customer Services
Strategic Leadership	(2)	1	(1)	Strategic Leadership
<b>Net Costs of Services</b>	<b>(24)</b>	<b>-</b>	<b>(24)</b>	
Other income and expenditure from the Expenditure and Funding Analysis	(6,075)	-	(6,075)	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>(6,099)</b>	<b>0</b>	<b>(6,099)</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/22
<b>Total Adjustments</b>				
Assets	(383)	28	(355)	Assets
Health & Community Protection	(2,020)	-	(2,020)	Community Protection
Cultural Services	(775)	-	(775)	Culture, Tourism & Leisure
Development Services	(911)	610	(301)	Development Services
Neighbourhood Services	(724)	(47)	(771)	Environment & Operations
Finance	1,718	-	1,718	Finance
Housing Services - General Fund	(128)	30	(98)	Housing Services - GF
Housing Services - HRA	1,080	-	1,080	Housing Services - HRA
ICT	(188)	-	(188)	ICT Services
	-	(30)	(30)	Law & Governance
People and Communication	(68)	-	(68)	People and Communication
	-	(621)	(621)	Place & Economy
Benefits & Customer Services	(122)	-	(122)	Revenues & Customer Services
Strategic Leadership	(597)	26	(571)	Strategic Leadership
<b>Net Costs of Services</b>	<b>(3,118)</b>	<b>(4)</b>	<b>(3,122)</b>	
Other income and expenditure from the Expenditure and Funding Analysis	(121)	4	(117)	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>(3,239)</b>	<b>0</b>	<b>(3,239)</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>

## Note 6 – Segmented Income 2020/21 restated to 2021/22 Portfolio.

Restatement of 2020/21 - Note 6 Expenditure and Funding Analysis				
Portfolio as reported 2020/21	As reported in 2020/21 statement £000	Movement between Portfolios £000	As reported in 2021/22 Statement £000	Revised Portfolio Reported 2021/22
Assets	2,335	(1,934)	401	Assets
Health & Community Protection	495	(48)	447	Community Protection
Cultural Services	592	-	592	Culture, Tourism & Leisure
Development Services	2,863	(717)	2,146	Development Services
Neighbourhood Services	3,259	2,132	5,391	Environment & Operations
Finance	142	-	142	Finance
Housing Services - General Fund	481	25	506	Housing Services - GF
Housing Services - HRA	28,417	-	28,417	Housing Services - HRA
ICT	53	-	53	ICT Services
	-	(1)	(1)	Law & Governance
People and Communication	30		30	People and Communication
	-	716	716	Place & Economy
Benefits & Customer Services	237	-	237	Revenues & Customer Services
Strategic Leadership	593	(173)	420	Strategic Leadership
<b>Total income analysed</b>	<b>39,497</b>	<b>-</b>	<b>39,497</b>	

### 8. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2021/22 £000	2020/21 £000
<b>Expenditure</b>		
Employee benefits expenses	25,127	21,417
Other services expenses	58,982	49,233
Depreciation, amortisation and impairment	19,190	12,502
Interest payments	5,344	4,990
Precepts and Levies	1,837	1,758
Payments to Housing Capital Receipts Pool	961	961
<b>Total Expenditure</b>	<b>111,441</b>	<b>90,861</b>
<b>Income</b>		
Fees, charges and other service income	(44,515)	(39,497)
Gain on the disposal of assets	(2,253)	(2,065)
Interest and investment income	(1,957)	(794)
Income from Council Tax and Business Rates	(15,924)	(5,490)
Government grants and contributions	(52,812)	(56,921)
<b>Total Income</b>	<b>(117,461)</b>	<b>(104,767)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(6,020)</b>	<b>(13,906)</b>

## **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 Statement 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.

2021/22	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					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(4,369)	(829)	-	-	-
■ Financial instruments (transferred to the Financial Instruments Adjustments Account)					
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	6,775	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	79	9	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	95	-	-	-	-
■ 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)	(268)	(5,888)	-	-	726
<b>Total Adjustments to the Revenue Account</b>	<b>2,312</b>	<b>(6,708)</b>	<b>-</b>	<b>-</b>	<b>726</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	4,070	4,503	(8,487)	-	-
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	-	-	-	(6,150)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,055	3,274	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,164</b>	<b>7,777</b>	<b>(7,526)</b>	<b>(6,150)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,960	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	5,994	-
Application of capital grants unapplied credited to the CIES	1,890	-	-	-	(1,890)
<b>Total Adjustments to Capital Resources</b>	<b>1,890</b>	<b>-</b>	<b>1,960</b>	<b>5,994</b>	<b>(1,890)</b>
<b>Total Adjustments</b>	<b>10,366</b>	<b>1,069</b>	<b>(5,566)</b>	<b>(156)</b>	<b>(1,164)</b>

2019/20	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					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(1,879)	(319)	-	-	-
■ Financial instruments (transferred to the Financial Instruments Adjustments Account)					
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(7,385)	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(16)	(8)	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	1,310	-	-	-	-
■ 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)	(2,577)	(1,495)	-	-	738
<b>Total Adjustments to the Revenue Account</b>	<b>(10,547)</b>	<b>(1,822)</b>	<b>-</b>	<b>-</b>	<b>738</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	(2)	2,332	(2,346)	-	-
Payments to the government housing receipts pool (funded by a transfer from the	(961)	-	961	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	-	-	(6,021)	-
Capital expenditure financed from revenue balances (transfer to the Capital	2,992	1,169	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,029</b>	<b>3,501</b>	<b>(1,385)</b>	<b>(6,021)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	812	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	6,527	-
Application of capital grants to finance capital expenditure	3,600	-	-	-	(3,599)
<b>Total Adjustments to Capital Resources</b>	<b>3,600</b>	<b>-</b>	<b>812</b>	<b>6,527</b>	<b>(3,599)</b>
<b>Total Adjustments</b>	<b>(4,918)</b>	<b>1,679</b>	<b>(573)</b>	<b>506</b>	<b>(2,861)</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 2021/22:

	Balance at 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31/03/2022 £000
<b>General Fund:</b>				
BS Art Gallery Gift Reserve	132	-	-	132
BS Building Control Reserve	368	-	105	473
BS Capital Investment Reserve	1,256	-	100	1,356
BS Car Park Displacement Reserve	485	(209)	-	276
BS Car Parks Repairs & Maintenance Reserve	139	-	-	139
BS Commonwealth Games Reserve	-	(64)	600	536
BS Community Projects Reserve	1,210	(854)	-	356
BS Corporate Assets Reserve	1,401	(512)	-	889
BS Digital By Default Reserve	87	(64)	-	23
BS Election Expenses Reserve	40	-	35	75
BS Enterprise Projects Reserve	238	(20)	-	218
BS Homelessness Prevention Reserve	785	-	551	1,336
BS ICT Replacement Reserve	132	(220)	250	162
BS Leisure Options Reserve	395	-	370	765
BS Local Plan Delivery Reserve	44	-	-	44
BS Planning Appeal Reserve	509	(166)	109	452
BS Planning Investment Reserve	-	(253)	263	10
BS Public Amenity Reserve	244	-	-	244
BS Tourism Reserve	27	-	-	27
Business Rate Retention Volatility Reserve	18,110	(12,141)	4,303	10,272
CBILS Principal Repayments	10	-	38	48
Cemetery Land Purchase Reserve	28	-	-	28
Climate Change Reserve	-	(500)	500	-
Community Emergency Response Fund Reserve	-	-	2	2
Covent Garden Multi Storey Reserve	900	-	-	900
Equipment Renewals Reserve	630	(113)	-	517
G M Commuted Sums	1,412	(116)	85	1,381
General Fund Balance	3,341	(1,197)	1,169	3,313
GF Earmarked Reserves	1,416	(1,416)	2,347	2,347
GF Rev Grants - Contribs Rec'd In Advance	345	(126)	-	219
Harbury Lane Reserve	84	-	-	84
ICT Service System Alignment Reserve	-	-	500	500
Insurance Reserve	274	-	-	274
Investment Volatility Reserve	100	-	-	100
Newbold Bench Donation Reserve	-	(4)	10	6
Public Open Space Planning Gain Reserve	430	(53)	5	382
Services Transformation Reserve	1,632	(1,212)	1,911	2,331
<b>TOTAL GENERAL FUND</b>	<b>36,204</b>	<b>(19,240)</b>	<b>13,253</b>	<b>30,217</b>
<b>HRA:</b>				
Housing Revenue Account Balance	-	-	-	-
HRA Capital Investment Reserve	1,513	39	-	1,552
HRA Early Retirements Reserve	28,495	711	-	29,206
HRA Earmarked Reserves	21	-	-	21
HRA Rev Grants - Contribs Rec'd In Advance	650	(650)	470	470
HRA Rough Sleeping Initiative Reserve	10	-	-	10
Sale of Council Houses	262	-	-	262
<b>TOTAL HRA</b>	<b>30,951</b>	<b>100</b>	<b>470</b>	<b>31,521</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>67,155</b>	<b>(19,140)</b>	<b>13,723</b>	<b>61,738</b>

Some of the significant earmarked reserves, and their purpose are listed below

- **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 2021/22 to 2022/23 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 2020/21 £000	Gross Income 2020/21 £000	Net Expenditure 2020/21 £000		Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure 2021/22 £000
1,758	0	1,758	Parish Council Precepts	1,837	0	1,837
			Payments to Government Housing			
961	0	961	Capital Receipts Pool	961	0	961
			Gain or Loss on the disposal of non-			
0	(756)	(756)	current assets	0	(6,937)	(6,937)
<b>2,719</b>	<b>(756)</b>	<b>1,963</b>	<b>Total</b>	<b>2,798</b>	<b>(6,937)</b>	<b>(4,139)</b>

#### 12. Financing and Investment Income and Expenditure

Gross Expenditure 2020/21 £000	Gross Income 2020/21 £000	Net Expenditure 2020/21 £000		Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure 2021/22 £000
4,990	-	4,990	Interest Payable and similar charges	5,345	-	5,345
971	-	971	Pensions Interest Cost	1,060	-	1,060
-	(794)	(794)	Interest Receivable and similar income	-	(1,957)	(1,957)
917	(526)	391	Income and expenditure in relation to investment properties and changes in their fair value	(266)	(345)	(611)
-	(1,310)	(1,310)	Reversal of Available for sale financial instruments	-	-	-
<b>6,878</b>	<b>(2,630)</b>	<b>4,248</b>		<b>6,139</b>	<b>(2,302)</b>	<b>3,837</b>

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

Gross Income 2020/21 £000		Gross Income 2021/22 £000
(11,185)	Council Tax income	(11,726)
(17,983)	Non-ringfenced Government Grants	(10,139)
5,695	Non-domestic rates income and expenditure	488
(7,248)	Capital Grants and Contributions	(10,699)
<b>(30,721)</b>		<b>(32,076)</b>

### 14. Property, Plant and Equipment

Movement on Balances								
Movements in 2021/22								
£000	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Cost or Valuation</b>								
<b>At 1 April 2021</b>	<b>411,124</b>	<b>88,662</b>	<b>11,852</b>		<b>8,306</b>	<b>1,994</b>	<b>32,477</b>	<b>558,343</b>
Additions	8,021	160	1,540	923	72	-	28,855	39,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	10,490	(279)	-	-	-	-	-	10,211
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(3,636)	-	-	-	-	-	-	(3,636)
Derecognition - disposals	(2,252)	-	-	-	-	-	-	(2,252)
Assets reclassified (to) / from Other Accounts	14,338	-	-	-	-	-	(14,338)	-
Other movements in cost or valuation	-	-	(4,958)	-	-	-	(312)	(5,270)
<b>At 31 March 2022</b>	<b>438,085</b>	<b>88,543</b>	<b>8,434</b>		<b>8,378</b>	<b>1,994</b>	<b>46,682</b>	<b>596,967</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2021</b>	-	<b>(7,235)</b>	<b>(7,537)</b>		<b>(619)</b>	<b>(371)</b>	-	<b>(16,322)</b>
Depreciation charge for year	(5,606)	(2,648)	(623)	(99)	(47)	(29)	-	(9,052)
Depreciation written out to the Revaluation Reserve	5,606	2,248	-	-	-	16	-	7,870
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	4,957	-	-	-	-	4,957
<b>At 31 March 2022</b>	-	<b>(7,635)</b>	<b>(3,203)</b>		<b>(666)</b>	<b>(384)</b>	-	<b>(12,547)</b>
<b>Net Book Value</b>								
<b>31 March 2022</b>	<b>438,085</b>	<b>80,908</b>	<b>5,231</b>		<b>7,712</b>	<b>1,610</b>	<b>46,682</b>	<b>584,420</b>
<b>31 March 2021</b>	<b>411,124</b>	<b>81,427</b>	<b>4,315</b>	<b>3,368</b>	<b>7,687</b>	<b>1,623</b>	<b>32,477</b>	<b>542,021</b>

<b>Movement on Balances</b>								
<b>Movements in 2020/21</b>								
<b>£'000</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Property, Plant and Equipment £'000</b>
<b>Cost or valuation</b>								
<b>At 1 April 2020</b>	<b>402,119</b>	<b>88,603</b>	<b>11,564</b>	<b>2,459</b>	<b>8,275</b>	<b>617</b>	<b>5,539</b>	<b>519,176</b>
Additions	7,584	1,783	1,365	1,469	31	1,347	26,943	40,522
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,830	(1,435)	-	-	-	30	-	1,425
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	82	(289)	-	-	-	-	-	(207)
Derecognition - disposals	(1,491)	-	-	-	-	-	-	(1,491)
Assets reclassified (to) / from Other Accounts	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	(5)	(5)
<b>At 31 March 2021</b>	<b>411,124</b>	<b>88,662</b>	<b>12,929</b>	<b>3,928</b>	<b>8,306</b>	<b>1,994</b>	<b>32,477</b>	<b>559,420</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2020</b>	<b>-</b>	<b>(7,325)</b>	<b>(8,054)</b>	<b>(498)</b>	<b>(572)</b>	<b>(342)</b>	<b>(5)</b>	<b>(16,796)</b>
Depreciation charge for year	(5,513)	(2,650)	(560)	(62)	(47)	(29)	-	(8,861)
Depreciation written out to the Revaluation Reserve	5,513	2,295	-	-	-	-	-	7,808
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	445	-	-	-	-	-	445
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	5	5
<b>At 31 March 2021</b>	<b>-</b>	<b>(7,235)</b>	<b>(8,614)</b>	<b>(560)</b>	<b>(619)</b>	<b>(371)</b>	<b>-</b>	<b>(17,399)</b>
<b>Net Book Value</b>								
<b>31 March 2021</b>	<b>411,124</b>	<b>81,427</b>	<b>4,315</b>	<b>3,368</b>	<b>7,687</b>	<b>1,623</b>	<b>32,477</b>	<b>542,021</b>

## Depreciation

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

- Council houses – component depreciation – up to 75 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 2021/22

As at 31 March 2022, the Council has entered a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years.

The major contractual commitments at 31 March 2022 are:

General Fund	£000
Commonwealth Games preparations	394
Loan to housing joint venture	10,000
Housing Investment Programme	£000
Purchase of land and properties	6,402
Construction of properties	9,485

## 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 March 2022	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	1,595	1,414	181	Direct observation of transactions involving similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>1,595</b>	<b>1,414</b>	<b>181</b>	

As at 31 March 2022	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	276	67	209	Direct observation of transactions involving similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>276</b>	<b>67</b>	<b>209</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.

General Fund property values in the Balance Sheet are based on 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019, 28 February 2020, 31 March 2021 or 31 March 2022 valuations. Housing Revenue Account property values are based on 31 March 2022 valuations.

The table below analyses all property, plant and equipment by valuation date: 31 March 2021

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	1,426	5,231	4,192	7,712	1,347	46,682	66,590
Valued at fair value as at:								
- 2021/22	438,085	60,462	-	-	-	118	-	498,665
- 2020/21	-	4,572	-	-	-	-	-	4,572
- 2019/20	-	392	-	-	-	-	-	392
- 2018/19	-	4,089	-	-	-	146	-	4,235
- 2017/18	-	4,355	-	-	-	-	-	4,355
- 2016/17	-	5,132	-	-	-	-	-	5,132
- 2015/16	-	480	-	-	-	-	-	480
<b>Total Cost or Valuation</b>	<b>438,085</b>	<b>80,908</b>	<b>5,231</b>	<b>4,192</b>	<b>7,712</b>	<b>1,611</b>	<b>46,682</b>	<b>584,421</b>

## 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 February 2020. 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 five years with the next valuation due February 2025.

### 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 February 2020 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 2021/22, items amounting to £650 have been added to the Social History collection, all of which were of low intrinsic value.

The Abbey Fields Barn was valued by Carter Jonas at 31 March 2022 at £0.345m 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. A copy 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.

A reconciliation of the Carrying Value of Heritage Assets held by the Authority is shown below:

Cost or Valuation	Decorative Arts Collection £000	Visual Arts Collection £000	Other £000	Total £000
<b>At 1 April 2021</b>	<b>318</b>	<b>7,663</b>	<b>1,054</b>	<b>9,035</b>
Additions	-	-	-	-
Revaluation	-	-	60	60
Other Movements in Cost or Valuation	-	-	-	-
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(4)	(4)
<b>At 31 March 2022</b>	<b>318</b>	<b>7,663</b>	<b>1,110</b>	<b>9,091</b>
<b>At 1 April 2020</b>	<b>318</b>	<b>7,634</b>	<b>1,053</b>	<b>9,005</b>
Additions	-	4	-	4
Other Additions	-	-	5	5
Other Movements in Cost or Valuation	-	27	-	27
Derecognition - Disposals	-	(2)	-	(2)
Depreciation	-	-	(4)	(4)
<b>At 31 March 2021</b>	<b>318</b>	<b>7,663</b>	<b>1,054</b>	<b>9,035</b>

A summary of Heritage Assets transactions is shown below:

	2021/22 £000	2020/21 £000
<b>Cost of Acquisitions of Heritage Assets</b>		
<b>Purchases</b>		
Decorative Arts	-	1
Visual Arts	-	4
Social History	-	-
<b>Donations</b>		
Decorative Arts	0	0
Visual Arts	-	17
Social History etc.	1	1
<b>Total Cost of Acquisitions</b>	<b>1</b>	<b>22</b>
<b>Revaluation of Heritage Assets</b>		
Decorative Arts	-	0
Visual Arts	-	27
Social History etc.	60	5
<b>Total Revaluations</b>	<b>60</b>	<b>32</b>
<b>Disposals of Heritage Assets</b>		
Visual Arts	-	(2)
<b>Carrying Value</b>	<b>-</b>	<b>-</b>
<b>Proceeds</b>	<b>-</b>	<b>-</b>

## 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:

	2021/22 £000	2020/21 £000
Rental income from investment property	690	526
Direct operating expenses arising from investment property	(516)	(718)
<b>Net gain / (loss)</b>	<b>174</b>	<b>(192)</b>

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

	2021/22 £000	2020/21 £000
<b>Balance at start of the year</b>	<b>10,035</b>	<b>10,234</b>
Net gains / (losses) from fair value adjustments	266	(199)
<b>Balance at end of year</b>	<b>10,301</b>	<b>10,035</b>

All 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 2022 and 2021 are as follows:

As at 31 March 2022	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	10,301	2,895	7,406	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>10,301</b>	<b>2,895</b>	<b>7,406</b>	

As at 31 March 2021	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	10,035	2,192	7,843	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>10,035</b>	<b>2,192</b>	<b>7,843</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 Investments 31 March 2022 £000	Non Current Investments 31 March 2021 £000	Non Current Debtors 31 March 2022 £000	Non Current Debtors 31 March 2021 £000	Current Investments 31 March 2022 £000	Current Investments 31 March 2021 £000	Current Debtors 31 March 2022 £000	Current Debtors 31 March 2021 £000	TOTAL 31 March 2022 £000	TOTAL 31 March 2021 £000
Fair value through profit and loss	377	6,641	-	-	32,633	12,590	-	-	33,010	19,231
Amortised cost	-	-	58,719	7,024	42,480	35,123	7,832	14,695	109,031	56,842
<b>Total</b>	<b>377</b>	<b>6,641</b>	<b>58,719</b>	<b>7,024</b>	<b>75,112</b>	<b>47,713</b>	<b>7,832</b>	<b>14,695</b>	<b>142,040</b>	<b>76,073</b>

Financial Liabilities	Non Current Borrowing 31 March 2022 £000	Non Current Borrowing 31 March 2021 £000	Non Current Creditor 31 March 2022 £000	Non Current Creditor 31 March 2021 £000	Current Borrowing 31 March 2022 £000	Current Borrowing 31 March 2021 £000	Current Creditor 31 March 2022 £000	Current Creditor 31 March 2021 £000	TOTAL 31 March 2022 £000	TOTAL 31 March 2021 £000
Amortised cost	(208,157)	(148,168)	(153)	-	-	(1)	(39,577)	(31,959)	(247,887)	(180,128)
<b>Total</b>	<b>(208,157)</b>	<b>(148,168)</b>	<b>(153)</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(39,577)</b>	<b>(31,959)</b>	<b>(247,887)</b>	<b>(180,128)</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 the Council's financial assets designated as Fair Value Through Profit and Loss at 31 March 2022, 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.

Asset	Rating	Exposure at 31 March 2022 £000	Maximum Exposure £000	Credit Default Risk £000	Maximum potential change in fair value through credit risk £000
Federated Money LVNAV Market Fund	AAAm / Aaa-mf / AAAmmf	1,473	10,000	0.04%	4
Federated Cash Plus VNAV Account	AAAf S1 / Aaa-bf / AAA/V1	3,000	6,000	0.04%	2
Deutsche Global LVNAV MMF	AAAm / Aaa-mf / AAAmmf	1	10,000	0.04%	4
Aberdeen/Standard Life (Ignis) LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	8,312	10,000	0.04%	4
Goldman Sachs LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	7,126	10,000	0.04%	4
Royal London Cash Plus VNAV Money Market Fund	AAAf S1 / Aaa-bf / AAA/V1	3,097	6,000	0.04%	2
Invesco LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	10,001	10,000	0.04%	4
Royal London Equity Income Fund	Low Risk	-	4,000	N/A	-
Threadneedle Equity Income Fund	Low Risk	-	4,000	N/A	-
<b>Total</b>		<b>33,010</b>	<b>70,000</b>		<b>24</b>

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

### Income, Expense, Gains and Losses

	31 March 2022 Surplus or Deficit on the Provision of Services £000	31 March 2022 Other Comprehensive Income and Expenditure £000	31 March 2021 Surplus or Deficit on the Provision of Services £000	31 March 2021 Other Comprehensive Income and Expenditure £000
<b>Net gains / (losses) on:</b>				
Financial assets at fair value through profit and loss	95	-	1,309	-
<b>Total net gains or (losses)</b>	<b>95</b>	<b>-</b>	<b>1,309</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	1,660	-	555	-
Other financial assets measured at fair value through profit or loss	143	-	193	-
<b>Total interest revenue</b>	<b>1,803</b>	<b>-</b>	<b>748</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	(5,329)	-	(4,990)	-
<b>Total fee expense</b>	<b>(5,329)</b>	<b>-</b>	<b>(4,990)</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.

Financial Assets - Fair Value through Profit and Loss	Input Level in Fair Value Hierarchy	Valuation Techniques Used to Measure Fair Value	31 March 2022 £000	31 March 2021 £000
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	-	6,641
Money Market Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	33,010	12,590
Certificates of Deposit, Bonds, etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	-	-
<b>Total</b>			<b>33,010</b>	<b>19,231</b>

Current investments of £77.179m are made up of £33.010m of money market funds, as shown in the table above, as well as £44.169m simple deposits at amortised cost.

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, to fulfil its obligations under the new HRA self-financing regime. £12m was taken in 2019/20 for General Fund purposes with a maturity to 28 August 2059, and £60m was borrowed during 2021/22 for back-to-back loans to a housing joint venture, with periods between 1.5 and 5.5 years. 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 £279.864m. The difference between this figure and the £208.157m carried in the balance sheet represents the premiums that would be charged for early redemption of the loans as the current interest rates are below those in force when the borrowing took place in March 2012, September 2019 and during 2021/22. 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 £208.157m is £235.789m including net potential premiums of £23.471m, plus accrued interest. 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 2022 Carrying amount £000	31 March 2022 Fair value £000	31 March 2021 Carrying amount £000	31 March 2021 Fair value £000
Short-term investments	42,480	42,480	35,123	35,123
Long-term investments	-	-	-	-
Short-term debtors	7,832	7,832	14,695	14,695
Long-term debtor	58,719	58,719	7,024	7,024
<b>Total Financial Assets</b>	<b>109,031</b>	<b>109,031</b>	<b>56,842</b>	<b>56,842</b>

Financial Liabilities	31 March 2022 Carrying amount £000	31 March 2022 Fair value £000	31 March 2021 Carrying amount £000	31 March 2021 Fair value £000
PWLB debt	(208,157)	(235,789)	(148,157)	(195,833)
Short-term creditors	(39,577)	(39,577)	(31,959)	(31,959)
Long-term creditors	(153)	(153)	-	-
Short-term finance lease liability	-	-	(1)	(1)
Long-term finance lease liability	-	-	(11)	(11)
<b>Total Financial Liabilities</b>	<b>(247,887)</b>	<b>(275,519)</b>	<b>(180,128)</b>	<b>(227,804)</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. There were no such assets at 31 March 2022.

	2021/22 £000	2020/21 £000
<b>Balance outstanding at start of year</b>	-	86
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	-
Assets sold	-	(86)
<b>Balance outstanding at year-end</b>	<b>-</b>	<b>-</b>



## 19. Debtors

Debtors are amounts due to the Council:

	31 March 2022 £000	31 March 2021 £000
Trade receivables	6,221	2,872
Prepayments	53	301
Other receivable amounts :-		
External funding	208	3,306
VAT	1,175	1,465
Business Rates/Council Tax etc	1,463	10,000
Investments	23	6,001
<b>Total Short Term Debtors</b>	<b>9,143</b>	<b>23,945</b>
Loans to housing joint venture	50,000	-
Other capital loans	315	213
Deferred capital receipts	8,405	6,811
<b>Total Long Term Debtors</b>	<b>58,719</b>	<b>7,024</b>
<b>Total Debtors</b>	<b>67,862</b>	<b>30,969</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 2022 £000	31 March 2021 £000
Less than three months	4,236	4,522
Three to six months	1,551	1,357
Six months to one year	384	550
More than one year	1,216	1,399
<b>Total Debtors</b>	<b>7,387</b>	<b>7,828</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 2022 £000	31 March 2021 £000
Cash held by the Council	30	32
Bank current accounts	(3,030)	158
Money Market deposits	49,674	28,200
<b>Total Cash and Cash Equivalents</b>	<b>46,674</b>	<b>28,390</b>

## 22. Creditors

Creditors are amounts owed to others by the Council:

	31 March 2022 £000	31 March 2021 £000
Trade payables	(5,454)	(4,860)
Other payable amounts :-		
External Funding	(6,378)	(9,539)
Business Rates, Council Tax etc	(24,299)	(19,071)
Interest	(129)	(21)
<b>Total Creditors</b>	<b>(36,259)</b>	<b>(33,491)</b>

## 23. Provisions

Provisional Liabilities Payable in More Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
Balance at 1 April 2021	2,820	192	319	3,331
Additional provisions made in 2021/22	-	37	(90)	(53)
Unused amounts reversed in 2021/22	-	-	-	-
Amounts payable < 1 year transferred to short term provision	359	-	-	359
Balance at 31 March 2022	3,179	229	229	3,637

Provisional Liabilities Payable in Less Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
Balance at 1 April 2021	849	17	38	904
Additional provisions made in 2021/22	(718)	32	20	(666)
Amounts used in 2021/22	-	(18)	(38)	(56)
Amounts payable < 1 year transferred from long term provision	72	-	-	72
Balance at 31 March 2022	203	31	20	254

### 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 assess 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 2021 £'000		31 March 2022 £'000
110,758	Revaluation Reserve	128,745
788	Deferred Capital Receipts Reserve	788
(95)	Financial Instruments Revaluation Reserve	0
269,758	Capital Adjustment Account	272,421
(12)	Financial Instruments Adjustment Account	(11)
(54,601)	Pensions Reserve	(38,954)
(8,991)	Collection Fund Adjustment Account	(2,169)
(349)	Accumulated Absences Account	(262)
<b>317,256</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>360,558</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.

2020/21 £000		2021/22 £000	2021/22 £000
102,356	Balance at 1 April		110,758
11,030	Upward revaluation of assets	26,091	
(1,764)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(8,104)	
9,266	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		17,987
	- Recognition of Heritage Assets on Donation	-	
(637)	Difference between fair value depreciation and historical cost depreciation	-	
(227)	Accumulated gains on assets sold or scrapped	-	
(864)	<b>Amount written off to the Capital Adjustment Account</b>		-
110,758	Balance at 31 March		128,745

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

2020/21 £000		2021/22 £000
788	Balance at 1 April	788
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	-
788	Balance at 31 March	788

## 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.

2020/21 £000		2021/22 £000
(1,404)	<b>Balance at 1 April</b>	<b>(95)</b>
	- Upward revaluation of investments	-
	- Downward revaluation of investments	-
1,309	Change in impairment loss allowances	95
<b>(95)</b>	<b>Balance at 31 March</b>	<b>-</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 6 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21 £000		2021/22 £000	2021/22 £000
<b>266,772</b>	<b>Balance at 1 April</b>		<b>269,758</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(8,870)	- Charges for depreciation and impairment of non-current assets	(9,056)	
217	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	-	
-	- Other revaluation losses	(3,636)	
-	- Amortisation of intangible assets	(47)	
(3,676)	- Revenue expenditure funded from capital under statute	(6,695)	
(1,574)	- 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	(2,292)	
-	- Write down long-term debtor loan as a capital receipt	(1,000)	
<b>(13,903)</b>			<b>(22,726)</b>
228	Accumulated gains on assets sold or scrapped		-
637	Difference between fair value depreciation and historical cost depreciation		-
<b>(13,038)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(22,726)</b>
	<b>Capital Financing applied in the year:</b>		
815	- Use of the Capital Receipts Reserve to finance new capital expenditure	2,960	
6,526	- Use of the Major Repairs Reserve to finance new capital expenditure	5,994	
4,489	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,087	
726	- Application of grants to capital financing from the Capital Grants Unapplied Account	727	
3,423	- Capital expenditure charged against the General Fund and HRA balances	6,008	
<b>15,979</b>			<b>24,776</b>
244	Minimum Revenue Provision		344
(199)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		267
-	Removal of initial recognition of Donated Assets credited to the Comprehensive Income and Expenditure Statement		2
<b>269,758</b>	<b>Balance at 31 March</b>		<b>272,421</b>

## 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.

2020/21 £000		2021/22 £000
(40,891)	Balance at 1 April	(54,601)
(11,512)	Remeasurements of the net defined benefit liability	20,845
(5,025)	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	(8,085)
2,827	Employer's pensions contributions and direct payments to pensions payable in the year	2,887
<b>(54,601)</b>	<b>Balance at 31 March</b>	<b>(38,954)</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 2020/21 £000	NNDR 2020/21 £000	Total £000		Council Tax 2021/22 £000	NNDR 2021/22 £000	Total £000
(170)	(1,459)	(1,629)	Balance at 1 April	(122)	(8,869)	(8,991)
48	(7,410)	(7,362)	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	68	6,754	6,822
<b>(122)</b>	<b>(8,869)</b>	<b>(8,991)</b>	<b>Balance at 31 March</b>	<b>(54)</b>	<b>(2,115)</b>	<b>(2,169)</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.

2020/21 £000		2021/22 £000	2021/22 £000
<b>(325)</b>	<b>Balance at 1 April</b>		<b>(349)</b>
325	Settlement or cancellation of accrual made at the end of the preceding year	349	
(349)	Amounts accrued at the end of the current year	(262)	
(24)	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		87
<b>(349)</b>	<b>Balance at 31 March</b>		<b>(262)</b>

## 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2021/22 £000		2021/22 £000
(527)	Interest received	(1,641)
4,987	Interest paid	5,329
1	Interest element of finance lease payments	0
-	Dividends received	0
<b>4,460</b>		<b>3,688</b>

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

2021/22 £000		2021/22 £000
(8,866)	Depreciation	(9,056)
238	Impairment & revaluations in consolidated income and expenditure	0
(10)	Amortisation of intangible assets	(47)
(18,500)	(Increase) / decrease in creditors	(7,392)
18,504	Increase / (decrease) in debtors	(13,541)
(344)	(Increase) / decrease in impairment for bad debt	112
-	Increase / (decrease) in inventories	(1)
(2,198)	Movement in pension liability	(5,198)
(1,577)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	0
1,468	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,244)
<b>(11,284)</b>	<b>Adjust net (surplus)/deficit on the provision of services for non-cash movements</b>	<b>(40,367)</b>

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

2021/22 £000		2021/22 £000
1,310	Investment Gains / (Losses)	406
2,332	Proceeds from the sale of PPE, investment properties and intangible assets	3,872
6,739	Any other items for which the cash effects are investing or financing cash flows	2,930
<b>10,381</b>	<b>Adjust net (surplus)/deficit on the provision of services that are investing and financing activities</b>	<b>7,208</b>



## 26. Cash Flow Statement – Investing Activities

2021/22 £000		2021/22 £000
40,193	Purchase of property, plant and equipment, investment property and intangible assets	63,921
240,826	Purchase of short-term and long-term investments	558,484
-	Other payments for investing activities	-
(2,332)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(3,872)
(259,114)	Proceeds from the sale of short-term and long-term investments	(537,379)
(5,779)	Other receipts from investing activities	1,701
<b>13,794</b>	<b>Net cash flows from investing activities</b>	<b>82,855</b>

## 27. Cash Flow Statement – Financing Activities

2021/22 £000		2021/22 £000
-	Cash receipts of short- and long-term borrowing	(60,000)
3,458	Other receipts from financing activities	1,478
18	Cash payments for the reduction of the outstanding liabilities relating to finance leases	12
-	Repayments of short- and long-term borrowing	-
(738)	Other payments for financing activities	1,163
<b>2,738</b>	<b>Net cash flows from financing activities</b>	<b>(57,347)</b>

## 28. Reconciliation of Liabilities Arising from Financing Activities

	01/04/2021	Financing cash flows	Non-cash changes		31/03/2022
	£000	£000	Acquisition £000	Other non-cash changes £000	£000
Long-term borrowings	(148,157)	(60,000)	-	-	(208,157)
Short-term borrowings	-	-	-	-	-
Lease liabilities	(12)	12	-	-	-
<b>Total liabilities from financing activities</b>	<b>(148,169)</b>	<b>(59,988)</b>	<b>-</b>	<b>-</b>	<b>(208,157)</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	2021/22 £000	2020/21 £000
Basic	250	252
Special Responsibility	79	71
Chair and Vice Chair Allowances	8	17
Co-Optees	1	1
Other Allowances (Travel, Subsistence, etc.)	-	8
<b>Total</b>	<b>338</b>	<b>349</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	2021/22	131,276	24,650	155,926
	2020/21	115,469	22,978	138,447
Deputy Chief Executive	2021/22	100,650	18,984	119,634
	2020/21	93,989	18,704	112,693
Deputy Chief Executive	2021/22	15,178	2,363	17,541
	2020/21	93,989	18,704	112,693
Head of Finance	2021/22	84,108	17,575	101,683
	2020/21	82,865	16,559	99,424
Programme Director for Climate Change	2021/22	91,731	18,336	110,067
	2020/21	57,357	11,414	68,771

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	2021/22 Number of Employees Total	2021/22 Number of Employees Left in Year	2020/21 Number of Employees Total	2020/21 Number of Employees Left in Year
£50,000 - £54,999	8	-	7	-
£55,000 - £59,999	2	-	1	-
£60,000 - £64,999	-	-	2	-
£65,000 - £69,999	5	-	2	-
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	-	-	1	-
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	1	-	-	-

### 31. Termination benefits

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 2020/21	Number of compulsory redundancies 2021/22	Number of other departures agreed 2020/21	Number of other departures agreed 2021/22	Total number of exit packages by cost band 2020/21	Total number of exit packages by cost band 2021/22	Total cost of exit packages in each band 2020/21 £	Total cost of exit packages in each band 2021/22 £
£0 - £20,000	1	2	-	1	1	3	5,532	19,962
£200,001 - £250,000	-	1	-	-	-	1	-	201,002
<b>Total</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>5,532</b>	<b>220,964</b>

### 32. External Audit Costs

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

	2021/22 £000	2020/21 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	73	49
Additional fees payable to Grant Thornton in respect of prior year external audit services	16	9
Fees payable to Grant Thornton for the certification of grant claims and returns	24	17
Additional fees payable to Grant Thornton for the certification of prior year grant claims and returns	7	3
<b>Total</b>	<b>120</b>	<b>78</b>

### 33. Usable Reserves

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

31 March 2021 £'000		31 March 2022 £'000
36,203	General Fund Revenue Balance	30,217
30,952	Housing Revenue Account Balance	31,521
5,994	Major Repairs Reserve	6,150
7,830	Usable Capital Receipts Reserve	13,396
5,008	External Capital Grants / Contributions Unapplied	6,172
<b>85,987</b>	<b>TOTAL USABLE RESERVES</b>	<b>87,456</b>

### 34. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

	2021/22 £000	2020/21 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	(3,269)	(3,726)
Small Business Rate Relief	(7,294)	(13,571)
Council Tax Support Grant	579	(670)
Lower Tier Service Income Grant	(147)	-
Transparency Setup Grant	-	(8)
Council Tax Annex Discount Grant	(8)	(8)
<b>Non Ringfenced Revenue Grants</b>	<b>(10,139)</b>	<b>(17,983)</b>
Commonwealth Games	(15)	-
S106 Contributions	(187)	(119)
Community Infrastructure Levy	(1,889)	(3,600)
Pump Room Gardens Heritage Lottery Grant	(34)	-
Future Highstreets Fund	(295)	-
Green Homes Grant (LAD2)	(15)	-
Homes & Community Agency	-	(1,198)
HIF Grant - Kenilworth School	(4,817)	-
CWLEP Bowling Green Grant	(30)	(1,636)
Football foundation	(3)	(689)
Outdoor Gym Equipment	(25)	-
Racing Club Warwick	(14)	-
Warwick Town Council	(5)	-
Housing Subsidy	(3,370)	-
Arts Grants	-	(6)
<b>Capital Grants and Contributions:</b>	<b>(10,699)</b>	<b>(7,248)</b>
<b>Total Grants Credited to Taxation &amp; Non Specific Grant Income</b>	<b>(20,838)</b>	<b>(25,231)</b>
<b>Credited to Services</b>		
DWP Grants for Housing Benefits	(20,805)	(22,616)
COVID 19 - Income Recovery Scheme	(1,051)	(5,100)
Disabled Facilities Grant - HEART Scheme	(999)	(881)
Local Council Tax Admin Support Grant	(600)	(452)
Homelessness Reduction Act Grant	(600)	(45)
Rough Sleeping Initiative Grant	(570)	(310)
COVID 19 Outbreak Management Fund	(339)	(223)
Contribution towards NNDR Collection	(218)	(232)
New Burdens Grant	(184)	(221)
National Leisure Recovery Fund	(172)	(262)
Future Highstreet Fund	(141)	(32)
Rough Sleeping Initiative Grant - Hostel	(130)	(350)
Land Registry S31 Grant	(90)	(6)
Pump Room Gardens HLF Grant	(77)	-
Rough Sleeping - Protect and Vaccinate Grant	(69)	-
Cultural Recovery Grant	(61)	(170)
De-centralisation and Neighbourhood Planning	(60)	-
COVID 19 Enforcement	(57)	-
COVID-19 Self Isolation Payments	(54)	(119)
Homelessness Ex-Offenders Grant	(53)	-
S31 Grant COVID-19 Non-Reclaimable Elections Expenses	(49)	-
Police & Crime Commissioner Grant	(36)	(22)
COVID-19 Furlough Grant Claims	(33)	(100)
CEV Funding Support Grant	(21)	(25)
S31 Redmond Review	(21)	-
Benefits - Verify Earnings and Pension (VEP) Service	(19)	(24)
S31 Biodiversity Net Gain	(10)	-
Improvement and Development Agency	(10)	-
Arts Pre Raph Grant	(7)	(9)
Individual Electoral Registration	(5)	(15)
COVID 19 Interim Homelessness Grant	-	(329)
Flexible Homelessness Support Grant	-	(238)
COVID 19 - Self Isolation Payments - top up	-	(156)
Cold Weather Fund	-	(48)
COVID 19 Rough Sleeping Initiative (Cold Weather Fund)	-	(30)
Protect Plus	-	(19)
External Wall Systems Data Collection Grant	-	(11)
Police & Crime Commissioner CCTV Grant	-	(11)
European Election	-	(7)
EEM Community Donation Grant	-	(5)
LGA Cyber Training Grant	-	(3)
Geospatial Data Grant	-	(3)
<b>Credited to Services</b>	<b>(26,541)</b>	<b>(32,074)</b>
<b>TOTAL GRANTS</b>	<b>(47,379)</b>	<b>(57,305)</b>

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:

	2021/22 £000	2020/21 £000
Conservation Grants	0	0
S106 Contributions towards social housing, sports & leisure facilities and play equipment	11,852	7,733
<b>Capital Grants, Contributions Held in Advance</b>	<b>11,852</b>	<b>7,733</b>

### 35. 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 2022 are included within the figures shown in the Grant Income note 34.

#### 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 39.

#### Precepting Bodies:

The various Town and Parish Council's in the Council's area issue precepts on the Council. For 2021/22 the precepts issued totalled £1.837m (2020/21 £1.758m). The major preceptors were:

Major Preceptors	2021/22 £000	2020/21 £000
Warwick Town Council	503	482
Royal Leamington Spa Town Council	412	401
Whitnash Town Council	234	216
Kenilworth Town Council	184	186

#### Council Members and Chief Officers:

Council Members make disclosures of their pecuniary and non-pecuniary interests in the Members' Register and 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 £5.667m (2020/21 £5.015m) were paid to voluntary organisations in which 27 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	2021/22 £000	2020/21 £000
Kenilworth School Multi Academy Trust - Relocation	4,817	1,198
Whitnash Town Council	642	982
Kenilworth Rugby Club	80	267
Citizens' Advice Bureau	75	80
Shakespeare's England	70	75
Brunswick Healthy Living Centre	50	74
Racing Club Warwick FC	39	61
Warwickshire Community and Voluntary Action (CAVA)	39	50
Warwick Town Council	30	31
The GAP	30	30
Sydenham Neighbourhood Initiatives	41	27
The Chain	0	25
Coventry & Warwickshire LEP	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 - £0.243m in 2021/22 (£0.300m in 2020/21).

#### **Entities Controlled or Significantly Influenced by the Authority:**

##### Milverton Homes Ltd.

During 2020/21 Warwick District Council created a wholly owned Local Housing Company subsidiary named Milverton Homes Ltd. Company number 13123477. Milverton Homes most recent Business Plan was approved by the Council's Cabinet on 25 May 2021. The Company was incorporated with Companies House on 8 January 2021 with the nature of the business being 4110 – Development of building projects. Four directors have been appointed to Milverton Homes Board and registered on Companies House and the accounting reference period was shortened to align with the Council's.

Group Accounts have been prepared in the 2021/22 Financial Statements although transactions between the Council and Milverton are minimal as the company is only in the early stages of commencement. Prior to 2021/22 Milverton Homes was registered as a dormant company on Companies house until operations commenced.

Milverton Homes has appointed an external accounting and audit company FORTUS Audit Ltd to provide accounts that are audited and meet Accounting Standards for consolidation into the Council's Group Accounts. Where possible the accounting policies adopted by Milverton Homes are aligned to the Council's accounting policies and are in line with private company reporting regulations from the Companies Act 2006.

Milverton Homes entered into a Joint Venture with Crewe Lane LLP which is a housing development vehicle and is a 50/50 Joint Venture between Milverton Homes Limited (Company Number 13123477) and Vistry Partnerships Limited (Company Number 00800384).



## Crew Lane LLP

Crewe Lane LLP is a housing development vehicle and is a 50/50 Joint Venture between Milverton Homes Limited (Company Number 13123477) and Vistry Partnerships Limited (Company Number 00800384).

During the 2020/21 and 2021/22 Financial years the Council issued Loans with a total value of £60m to Crewe Lane Kenilworth JV LLP (Company number OC426015) to facilitate the construction of 620 dwellings in Kenilworth.

The Council's Loan transactions have been included in the Council's 2020/21 Financial Statements. All loan interest and capital repayments will be serviced by and are the liability of Crewe Lane Kenilworth JV LLP and financial security and contingencies have been put in place in line with legal and financial advice. The interest payable to the Council for facilitation these loans is charged at a commercial rate and any surpluses will be retained by the Council to support service operation.

The Joint venture is planned to last at least 6 years up to 2028 and will provide 248 affordable and social housing dwellings will be constructed and sold to the Council's HRA in phases. Milverton Homes Ltd will also purchase 62 dwellings from Crewe Lane LLP during this period.

Milverton Homes has £1 Capital invested in the Crewe Lane LLP Joint Venture and there have been no material transactions between the Crewe Lane LLP and Milverton Homes Ltd in the 2021/22 financial year. Milverton Homes has accounted for the £1 investment in its financial statements and has adopted the cost model of accounting for joint ventures in line with FRS 102 para 15.9 where Investments in Joint ventures are measured at cost, less any accumulated impairment losses.

## **Other Significant Related Parties**

**Sherbourne recycling** – Sherbourne Recycling was established in 2021 to develop and operate a new state of the art materials recycling facility in Coventry on behalf of eight local authorities (Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council). In 2021/22 The council purchased shares £0.988m and made loan advances of £2.298m.

### 36. 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.

	2021/22 £000	2020/21 £000
<b>Opening Capital Financing Requirement</b>	<b>184,995</b>	<b>156,447</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	42,057	40,522
Heritage Assets	-	4
Intangible Assets	328	218
Revenue Expenditure Funded from Capital Under Statute:		
- Grants	6,695	3,666
- Long-term loans	50,100	350
Finance Leases Principal	-	12
<b>Sources of Finance:</b>		
Capital Receipts	(2,960)	(815)
Government grants and other contributions	(9,814)	(5,215)
Major Repairs Reserve	(5,994)	(6,527)
Sums set aside from revenue	(6,008)	(3,423)
Minimum Revenue Provision	(344)	(244)
<b>Closing Capital Financing Requirement</b>	<b>259,055</b>	<b>184,995</b>
<b>Explanation of movements in year</b>		
Increase underlying need to borrow (unsupported by Government financial assistance)	74,060	28,548
<b>Increase in Capital Financing Requirement</b>	<b>74,060</b>	<b>28,548</b>

### 37. 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 2022 £000	31 March 2021 £000
Not later than one year	355	339
Later than one year and not later than five years	881	837
Later than five years	644	383
	<b>1,880</b>	<b>1,560</b>

### 38. Impairment / Revaluation Losses

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 2020/21 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. Linen Street multi-storey car park in Warwick has a nil carrying value, so is not subject to further impairment despite a stock condition survey.

### **39. 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.

In April 2020, the Council paid the Warwickshire Pension Fund £7.477m, taking advantage of the opportunity to pay its estimated employer contributions covering the three year period April 2020 to March 2023 as a single payment in order to receive a discount on its contributions. Statutory regulations require the Council to account for its contributions on the basis of the actuarial certificate issued as part of the last triennial valuation. The amount covering the latter two years of the payment has been transferred to Pensions Liabilities which has led to the difference in balances between the Pensions Liabilities and the Pensions Reserve.

The three year early payment of £7.477m was based on an assumed level of staff with a proviso that the pension fund could seek an additional payment for variations to the number of employees who were members of the pension scheme. A provision has been set aside to cover any further payments due to the pension fund for the year.

#### **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:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2021/22 £000</b>	<b>2020/21 £000</b>
<i>Cost of Services:</i>		
- Current service cost	<b>6,870</b>	4,462
- Past service costs	<b>155</b>	-
- (Gain) / loss from settlements	-	-
Financing and Investment Income and Expenditure:		
- Net interest expense	<b>1,060</b>	971
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>8,085</b>	<b>5,433</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)	<b>(9,349)</b>	(29,275)
- Actuarial gains and losses arising on changes in demographic assumptions	<b>(1,082)</b>	2,290
- Actuarial gains and losses arising on changes in financial assumptions	<b>(13,503)</b>	40,548
- Other	<b>341</b>	(1,635)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(15,508)</b>	<b>17,361</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	<b>(8,085)</b>	<b>(5,433)</b>
<b>Actual amount charged against the General Fund and HRA Balances for pensions in the year:</b>		
Employer's contributions payable to scheme	<b>611</b>	<b>7,582</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:

	<b>2021/22 £000</b>	<b>2020/21 £000</b>
Present value of the defined benefit obligation	<b>199,653</b>	<b>204,686</b>
Fair value of plan assets	<b>(163,178)</b>	<b>(154,840)</b>
Other movements in the liability / asset		
<b>Net liability arising from defined benefit obligation</b>	<b>36,475</b>	<b>49,846</b>

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

	2021/22 £000	2020/21 £000
<b>Opening fair value of scheme assets</b>	<b>154,840</b>	<b>119,051</b>
Opening balance adjustment *		415
Interest income	3,056	2,699
Remeasurement gain / (loss):		
- Other experiences	(196)	-
- The return on plan assets, excluding the amount included in the net interest expense	9,349	29,275
The effect of changes in foreign exchange rates	-	-
Contributions from employer	611	7,582
Contributions from employees into the scheme	876	861
Benefits paid	(5,358)	(5,043)
<b>Closing fair value of scheme assets</b>	<b>163,178</b>	<b>154,840</b>

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

	2021/22 £000	2020/21 £000
<b>Opening balance at 1 April</b>	<b>204,686</b>	<b>159,942</b>
Opening balance adjustment *		(409)
Current service cost	6,870	4,462
Past service cost	155	-
Interest cost	4,116	3,670
Contributions from scheme participants	876	861
Remeasurement (gains) / losses:	-	-
- Actuarial gains / losses arising from changes in demographic assumptions	(835)	2,290
- Actuarial gains / losses arising from changes in financial assumptions	(12,673)	40,548
- Other experience	1,816	(1,635)
Benefits paid	(5,358)	(5,043)
<b>Closing balance at 31 March</b>	<b>199,653</b>	<b>204,686</b>

\* Opening balance adjustment relates to the difference in the two Actuary Reports dated 20/04/2020 and 23/09/2020. The comparatives in 2019/20 relate to 20/04/2020 report and due to the amounts not being material were not adjusted. These adjustments have been included in the 2020/21 notes as above.

## Local Government Pension Scheme assets comprised:

	31 March 2022 Quoted prices in active markets £000	31 March 2022 Quoted prices not in active markets £000	31 March 2022 Total £000	31 March 2021 Quoted prices in active markets £000	31 March 2021 Quoted prices not in active markets £000	31 March 2021 Total £000
Cash and cash equivalents	3,422	-	3,422	3,007	-	3,007
Equity Securities (by industry type):						
- Consumer	-	-	-	-	-	-
- Manufacturing	-	-	-	-	-	-
- Energy and Utilities	-	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-
- Health and Care	-	-	-	-	-	-
- Information Technology	-	-	-	-	-	-
- Other	-	70	70	-	73	73
<b>Sub-total equity</b>	<b>-</b>	<b>70</b>	<b>70</b>	<b>-</b>	<b>73</b>	<b>73</b>
Debt Securities						
- Corporate bonds (investment grade)	10,104	-	10,104	15,095	-	15,095
- Corporate bonds (non-investment grade)	3,318	-	3,318	3,705	-	3,705
- UK Government	7,662	-	7,662	7,081	-	7,081
- Other	-	4,864	4,864	7,682	5,221	12,903
<b>Sub-total debt securities</b>	<b>21,084</b>	<b>4,864</b>	<b>25,948</b>	<b>33,562</b>	<b>5,221</b>	<b>38,784</b>
Property:						
- UK Property	16,016	-	16,016	14,057	-	14,057
- Overseas Property	54	-	54	-	-	-
<b>Sub-total property</b>	<b>16,070</b>	<b>-</b>	<b>16,070</b>	<b>14,057</b>	<b>-</b>	<b>14,057</b>
Private Equity:						
- All	-	11,597	11,597	-	7,932	7,932
Investment Funds and Unit Trusts:						
- Equities	83,076	-	83,076	86,519	-	86,519
- Bonds	14,739	-	14,739	-	-	-
- Hedge Funds	-	-	-	-	-	-
- Commodities	-	-	-	-	-	-
- Infrastructure	-	8,255	8,255	4,470	-	4,470
- Other	-	-	-	-	-	-
<b>Sub-total Investments</b>	<b>97,815</b>	<b>8,255</b>	<b>106,070</b>	<b>90,989</b>	<b>-</b>	<b>90,989</b>
<b>TOTAL ASSETS</b>	<b>138,391</b>	<b>24,786</b>	<b>163,177</b>	<b>141,614</b>	<b>13,226</b>	<b>154,840</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 2022.

The significant assumptions used by the actuary have been:

		2021/22	2020/21	2019/20
<b>Mortality assumptions:</b>	<b>Longevity at 65 for Current Pensioners:</b>			
	Men	21.6 years	21.8 years	21.6 years
	Women	24.1 years	24.2 years	23.8 years
	<b>Longevity at 65 for Future Pensioners</b>			
	Men	22.7 years	23.0 years	22.5 years
	Women	25.9 years	26.1 years	25.4 years
Rate of inflation		3.85%	3.35%	2.90%
Rate of increase in salaries		4.00%	3.65%	2.70%
Rate of increase in pensions		3.20%	2.85%	1.90%
Rate of discounting scheme liabilities		2.70%	2.00%	2.30%

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
Longevity (increase or decrease in 1 year)	7,986	(7,986)
Rate of increase in salaries (increase or decrease by 0.1%)	457	(457)
Rate of increase in pensions (increase or decrease by 0.1%)	3,072	(3,072)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,559	(3,559)

## 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 16 years. Funding levels are monitored on an annual basis, with the triennial valuation based as at 31 March 2022.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2021/22 (19 years 2020/21).

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments



- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. 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 credit criteria at 31 March 2022 in respect of investments held by the Council are:

Investment / Counterparty type:	S/term (FITCH or equivalent)	L/term	Security / Min. credit rating	Max. limit per counterparty	Max. Maturity period	Portfolio at 31 March 2022 £000	Proportion of Portfolio at 31 March 2022
Specified instrument (repayable within 12 months):							
UK Govt. / Local Authorities / Public Corporations / Nationalised Industries	n/a		n/a	£10m	365 days	3,000	4.0%
Bank - Private UK (includes Fixed Term Deposits, CD's and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£5m	365 days	-	0.0%
	F1	A+	UK Sovereign	£7m	365 days	28,500	38.1%
	F1	AA- & above	UK Sovereign	£8m	365 days	9,528	12.8%
Money Market Fund (LVNAV)	AAA m / Aaa-mf/AAAmmf		n/a	£10m	liquid	26,756	35.8%
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1		n/a	£6m	liquid	6,000	8.0%
Non-specified instruments							
Corporate Equity Funds		n/a	Low Risk	£4m	10 years	-	0.0%
Total						74,784	100.0%

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 2022, sundry debts outstanding stood at £2.005m of which £0.713m related to general debts and £1.292m 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 £0.057m and £0.667m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.005m less £0.724m 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 based on the 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	3.00%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount A £	Loss rate B	Lifetime expected credit losses A x B £
Over 1 year	37,062	100.00%	37,100
Current year	675,976	3.00%	20,300
	<b>Loss allowance</b>		<b>57,400</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	23.20%
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 A £	Loss rate B	Lifetime expected credit losses A x B £
01 - 03 months	84,500	23.60%	19,900
04 - 06 months	31,900	35.00%	11,200
07 - 09 months	45,400	40.00%	18,200
10 - 12 months	41,200	45.00%	18,500
Over 1 year	1,089,400	55.00%	599,200
	<b>Loss allowance</b>		<b>667,000</b>

### 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 2022 using the methodology recommended by its treasury advisers in order to comply with IFRS 9.

The calculated potential impairment of £0.018m equates to 0.02% of total investments of £77.179m. This has been assessed as being immaterial and no impairment of the investments has been made.

During 2021/22, the Council made long term loans for capital expenditure amounting to £0.100m to various organisations. Due diligence was carried out to ensure that the borrower's 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 2022, outstanding arrears in respect of Council house rents and charges stood at £2.639m; again, an assessment of the default rate on these arrears has been made and a bad debts provision of £1.980m 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 1 and 32 years and the average rate of the portfolio is 2.75%. 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 2021/22 outturn a 0.25% movement upwards in interest rates would have produced an additional £0.102m interest. Conversely the same movement downwards would have reduced investment interest, but this would have been tempered by some investments falling to nil interest.

### **Price Risk**

The Council invests in Certificates of Deposits 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. No purchases have been made in 2020/21 or 2021/22.

## **41. Contingent Assets and Liabilities**

### **Contingent Liabilities**

As at 31 March 2022 the Council identified the following contingent Liability in relation to:

#### Transcription Services

A contract was entered into under the threshold with documentation and conversations to support the needs of WDC. The contract parameters were interpreted differently from both parties, where the current situation is that the Transcription Company have proposed informal mediation.

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.

### **Contingent Assets**

As at 31 March 2022 the Council identified the following material contingent assets in relation to:

#### Leisure Centre Refurbishment - Utility Company Legal Challenge

Delayed works relating to 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 2022, Warwick District Council held £0.359m 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.

#### **42. Material items of Income and Expenses.**

The Council has received significant Government funding in 2021/22 to support the national response to mitigate the impact of the COVID-19 pandemic. The Council received grant funding on two separate bases, Principal and Agent. Where the Council had an element of control of the basis of allocation of the resources made available (Principal), the activity is recorded in these financial statements. Where the Council passported the payments received through to recipients (Agent), this activity is only recorded in creditors where there is an element of funding still to be allocated. Details of grants are set out in note 34.

# MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE STATEMENT

## 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.

2020/21 £000		2021/22 £000	2021/22 £000
	<b>Expenditure</b>		
5,325	Repairs and Maintenance	6,240	
7,145	Supervision and Management	7,762	
273	Rents, Rates, Taxes and Other Charges	369	
351	Increased Provision for Bad Debts	(32)	
5,939	Depreciation and Impairment of Non-Current Assets	6,150	
-	Debt Management Costs	-	
-	Amortisation of Intangible Assets & Revenue Expenditure Funded from Capital Under Statute		
<b>19,033</b>	<b>Total Expenditure</b>		<b>20,489</b>
	<b>Income</b>		
(25,619)	Dwelling Rents	(25,806)	
(1,061)	Non-Dwelling Rents	(1,094)	
(1,020)	Charges for Services and Facilities	(1,222)	
(1,043)	Contributions Towards Expenditure	(403)	
<b>(28,743)</b>	<b>Total Income</b>		<b>(28,525)</b>
<b>(9,710)</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(8,036)</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		21
<b>(9,617)</b>	<b>Net Income for HRA Services</b>		<b>(7,941)</b>
(756)	Gain or Loss on sale of HRA non-current assets		(2,221)
4,766	Interest payable and similar charges		4,766
138	Net interest on the net defined benefit asset or liability		169
(225)	HRA Interest and Investment Income		(15)
-	Capital Grants and Contributions Receivable		-
<b>(5,694)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(5,242)</b>

## Movement on the Housing Revenue Account 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.

2020/21 £000		Notes	2021/22 £000	2021/22 £000
1,483	<b>Balance on the HRA at the end of the previous year</b>			<b>1,513</b>
5,694	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	HRA I&E	1,638	
(1,679)	Adjustments between accounting basis and funding basis under statute	Main Notes 9	(1,070)	
<b>4,015</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>		<b>568</b>	
(3,985)	Transfers (to) or from reserves	Main Note 10	570	
<b>30</b>	<b>Increase or (decrease) in year on the HRA</b>			<b>1,138</b>
<b>1,513</b>	<b>Balance on the HRA at the end of the current year</b>			<b>2,651</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:

	31/03/2022 Nos.	31/03/2021 Nos.
Houses	2,453	2,383
Flats	2,402	2,407
Bungalows	672	672
	<b>5,527</b>	<b>5,462</b>

The change in housing stock can be summarised as follows:

	2021/22 Nos.	2020/21 Nos.
<b>Housing Stock at 1 April</b>	<b>5,462</b>	<b>5,477</b>
New build	91	3
Buy Back Purchases	3	3
Reclassification from non-operational to operational stock	-	-
Right to Buy sales	(26)	(21)
Other Sales - Shared Ownership	(3)	-
<b>Housing Stock at 31 March</b>	<b>5,527</b>	<b>5,462</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 2022 £000	1 April 2021 £000
Council Dwellings	438,085	411,124
Other Properties	7,818	7,670
Land	299	296
Equipment	433	433
Assets Under Construction	59,006	30,799
Surplus Assets	1,347	1,347
Assets Held for Sale	-	-
<b>Total Balance Sheet Items</b>	<b>506,988</b>	<b>451,670</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.

	31/03/2022 £000	31/03/2021 £000
Vacant Possession Value of Dwellings (Open Market Value)	1,069,632	1,018,132
Balance Sheet Value of Dwellings (Social Housing Value) (40% of Open Market Value)	(438,085)	(411,123)
<b>Economic Cost to Government</b>	<b>631,547</b>	<b>607,009</b>

## 4. Summary of Capital Expenditure Funding Sources

	2021/22 £000	2020/21 £000
Prudential Borrowing	20,727	25,002
Government Grant	3,526	
Usable Capital Receipts	2,560	420
Revenue and Other Contributions	3,184	1,186
Major Repairs Reserve	5,994	6,526
<b>Total Capital Expenditure Funding</b>	<b>35,991</b>	<b>33,135</b>

## 5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken for the 31 March 2022 valuation by the Council's Valuer, Carter Jonas LLP. Revaluation Losses of -£8,159 gains of £34,818m were credited to the Housing Revenue Account Revaluation Reserve resulting in a net gain of £26,659m. There were no impairment charges for the financial year.

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 and Local Government (MHCLG) previously known as the Department for Communities and Local Government (DCLG). Currently, this is just 40% of the Open Market Value.

## 6. Summary of Capital Receipts

	2021/22 £000	2020/21 £000
Sale of Council Houses	3,561	2,359
Other Non RTB Sales	344	-
<b>Total Capital Receipts</b>	<b>3,905</b>	<b>2,359</b>

## 7. Depreciation of Fixed Assets

	2021/22 £000	2021/22 £000
Council Dwellings	5,604	5,513
Other Buildings	498	451
Equipment	48	57
<b>Total Depreciation</b>	<b>6,150</b>	<b>6,021</b>

## 8. Arrears and Provision for Loss Allowances

	2021/22 £000	2020/21 £000
<b>HRA Rent &amp; Charges Arrears</b>		
Current Tenant Rent Arrears	1,334	1,327
Former Tenant Rent Arrears	725	576
<b>Dwelling Rent Arrears</b>	<b>2,059</b>	<b>1,903</b>
Garage Rent Arrears	51	30
Supporting People Charge Arrears	20	24
Court Cost Arrears	145	157
Overpayment of Benefit Arrears	135	136
Other Arrears	229	219
<b>Total Arrears</b>	<b>2,639</b>	<b>2,469</b>
<b>Prepayments</b>		
Dwelling Rent Prepayments	(475)	(422)
Garage Rent Prepayments	(13)	(13)
Other Prepayments	(4)	(5)
<b>Total Prepayments</b>	<b>(492)</b>	<b>(440)</b>
<b>Net Arrears</b>	<b>2,147</b>	<b>2,029</b>
<b>HRA Bad Debt Provisions</b>		
Rent Bad Debt Provision	(1,758)	(1,770)
Court Cost Bad Debt Provision	(222)	(219)
<b>Total Bad Debt Provisions</b>	<b>(1,980)</b>	<b>(1,999)</b>
<b>Arrears as a proportion of gross rent net of housing benefit</b>	<b>2021/22</b>	<b>2020/21</b>
Current Tenant Rent Arrears	6.65%	7.04%
Net Arrears	10.59%	10.74%

## 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.

2020/21 Council Tax £000	2020/21 Business Rates £000	2020/21 Total £000		2021/22 Council Tax £000	2021/22 Business Rates £000	2021/22 Total £000
<b>Income</b>						
(106,745)	-	(106,745)	Council Tax Receivable	(112,216)	-	(112,216)
-	(42,336)	(42,336)	Business Rates Receivable	-	(59,573)	(59,573)
-	(110)	(110)	Transitional Protection Payments Receivable	-	-	-
<b>(106,745)</b>	<b>(42,446)</b>	<b>(149,191)</b>	<b>Total Income</b>	<b>(112,216)</b>	<b>(59,573)</b>	<b>(171,789)</b>
<b>Expenditure</b>						
<b>Precepts and Demands:</b>						
-	33,615	33,615	Central Government	-	34,737	34,737
83,155	6,723	89,878	Warwickshire County Council	85,749	6,947	92,696
13,291	-	13,291	The Office of the Warwickshire Police and Crime Commissioner	14,145	-	14,145
11,323	26,892	38,215	Warwick District Council	11,726	27,789	39,515
<b>107,769</b>	<b>67,229</b>	<b>174,998</b>		<b>111,620</b>	<b>69,473</b>	<b>181,093</b>
<b>Distribution of earlier years' Collection Fund Surplus/(Deficit):</b>						
(1,351)	(300)	1,051	Warwickshire County Council	(284)	(2,662)	(2,946)
-	(1,501)	(1,501)	Central Government	-	(13,312)	(13,312)
(215)	-	215	The Office of the Warwickshire Police and Crime Commissioner	(46)	-	(46)
(185)	(1,201)	(1,016)	Warwick District Council	(39)	(10,649)	(10,688)
<b>(1,751)</b>	<b>(3,002)</b>	<b>(1,251)</b>		<b>(369)</b>	<b>(26,623)</b>	<b>(26,992)</b>
<b>Charges to the Collection Fund:</b>						
281	156	437	Write-offs of uncollectable amounts	331	271	602
-	219	219	Warwick District Council: Cost of Collection Allowance	-	217	217
-	-	-	Increase / (Decrease) in Bad Debts Provision	-	-	-
-	(3,628)	(3,628)	Increase / (Decrease) in Provision for Appeals	-	(718)	(718)
-	-	-	Transitional Protection Payments payable	-	60	60
-	15	15	Renewable Energy Disregard	-	15	15
-	-	-	Interest payable	-	-	-
<b>281</b>	<b>(3,238)</b>	<b>(2,957)</b>		<b>331</b>	<b>(155)</b>	<b>176</b>
<b>Movement On Fund:</b>						
3,056	18,543	21,599	Net (Surplus) / Deficit for Year	(634)	(16,878)	(17,512)
1,607	3,625	5,232	(Surplus) / Deficit brought forward 1 April	4,663	22,168	26,831
<b>4,663</b>	<b>22,168</b>	<b>26,831</b>	<b>(Surplus) / Deficit carried forward 31 March</b>	<b>4,029</b>	<b>5,290</b>	<b>9,319</b>

# Notes to the Collection Fund

## 1. General

The Collection Fund is a statutory account which shows the transactions of the billing authority (Warwick District Council) in terms of Council Tax and Business Rates and demonstrates how income from these sources is distributed to precepting bodies and the General Fund. The surplus or deficit on the Collection Fund at the 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 eight 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 2021/22 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
@	-	11	-	(1.70)	9.30	5 / 9	5.17
A	4,912	16	327	(1,346.60)	3,908.40	6 / 9	2,605.60
B	12,139	46	691	(2,798.00)	10,078.00	7 / 9	7,838.44
C	17,772	14	626	(2,780.50)	15,631.50	8 / 9	13,894.67
D	12,889	(31)	390	(1,681.70)	11,566.30	9 / 9	11,566.30
E	7,614	(10)	403	(1,205.70)	6,801.30	11 / 9	8,312.70
F	5,124	(4)	116	(465.50)	4,770.50	13 / 9	6,890.72
G	4,221	(22)	41	(237.20)	4,002.80	15 / 9	6,671.33
H	437	(20)	8	(29.70)	395.30	18 / 9	790.60
	<b>65,108</b>	<b>-</b>	<b>2,602</b>	<b>(10,546.60)</b>	<b>57,163.40</b>		<b>58,575.53</b>
Adjustment for new properties, collection rates, changes during the year for successful							846.15
Less Council Tax Support Scheme							(3,504.93)
<b>Council Tax Base 2021/22</b>							<b>55,916.75</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 49.9p for businesses with a rateable value of less than £50,999.
- The Non-Domestic Rate Multiplier of 51.2p for other businesses with a rateable value of £51,000 or greater.

The total rateable value of properties in the Warwick District area was £172,492,811 at 31 March 2022.

# Glossary

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**

Council's 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 council's 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 council's.

**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 council's must have a council tax reduction scheme, which allows for council tax reductions for 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 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 council's) 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)**

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 Auditors Statement

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

### Report on the Audit of the Financial Statements

#### Disclaimer of opinion

We were engaged to audit the financial statements of Warwick District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, and notes to the financial statements, including a summary of significant accounting policies. 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 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

The Authority provided us with a final draft of the financial statements on 30 November 2024, but did not provide all required supporting working papers. As such, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's capital asset records are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' 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.

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

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our

auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether 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 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 Head of Finance and Those Charged with Governance for the financial statements**

As explained in the Council's Responsibilities set out on page 26, 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 Head of Finance. The Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Head 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 Head 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 & Standards 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 responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

## **Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter, except on 27 August 2024 we identified a significant weakness in the Authority’s arrangements to monitor and manage its financial sustainability. During 2021/22 the Authority implemented a new general ledger system. The draft financial statements for the 2021/22 year, the first prepared using the new system, contained a large number of significant errors, including capital issues which have not been resolved. We recommended that the Authority:

- ensures that its finance team is sufficiently resourced, with appropriate skills, to ensure that the issues that delayed the completion of the 2021/22 financial statements audit are resolved; and
- prepares timely, high quality financial statements for later years, supported by appropriate reports and working papers to enable audits to proceed with minimal issues.

## **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 issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and



- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of Warwick District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **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.

# Annual Governance Statement

## WARWICK DISTRICT COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2021/22

#### **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 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 effective leadership and high standards of behaviour.
- 1.4 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 and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.
- 2.2 The format and scope of this Statement follows that prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

#### **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 as well as 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, not absolute, assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE<sup>1</sup> Framework for Delivering Good Governance in Local Government (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. In February 2020 the Council adopted a new Business Strategy. The Strategy is based around five themes and is used to identify and prioritise the work programme up to 2023. Officers have commenced work on a revised Business Strategy in readiness for discussions with the new administration to be elected in May 2023.
- 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 include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and made available to all Councillors through the Business Improvement Portal.
- 3.9 This said effective performance management oversight has not been fully resolved, and the range and content of performance data that councillors receive is under review as part of the Service Area Planning Process. Training is also being investigated to have a briefing for Councillors on improved access to the data and scrutiny of it.
- 3.10 Warwick District Council's Constitution establishes the roles and responsibilities for members of the Cabinet, Finance & Audit (F&A) Scrutiny Committee, Overview & Scrutiny (O&S) Committee and Standards Committee, together with officer functions. It should be noted, however, that the Committee arrangements changed from May 2022 with the establishment of a new Audit & Standards Committee to replace F&A with elements of F&A's remit moving to O&S. It includes details of delegation arrangements, the Councillors' Code 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. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.11 The Constitution contains procedures, 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

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

posts is backed by post-holders' membership (whether permanent or 'as required') of the Senior Leadership Team<sup>2</sup> (SLT).

- 3.12 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.13 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.14 The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team<sup>3</sup>, 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 Council's Annual Governance Report, together with how these deliver the same impact.
- 3.15 The Council's financial management arrangements conform to the CIPFA Statement other than in just one specific aspect:
- Head of Finance having responsibility for Asset Management.
- 3.16 With regard to asset management, responsibility for this comes under the post of Head of Assets. As with all heads of services, the Head of Assets is part of the Senior Leadership Team.
- 3.17 The Cabinet provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 3.18 The primary counterbalances to the Cabinet are the Finance & Audit Scrutiny (now Audit & Standards) and the Overview & Scrutiny Committees. The roles of these committees include the opportunity to provide a robust challenge to the Cabinet.
- 3.19 The Finance & Audit/Audit & Standards 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 Cabinet councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.20 '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.
- 3.21 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.
- 3.22 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

<sup>2</sup> The Senior Leadership Team comprises heads of services together with the Chief Executive, Deputy Chief Executive and Programme Director for Climate Change.

<sup>3</sup> In the Council's case, this is the Senior Leadership Team.

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.

- 3.23 The Council has embedded 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 Leadership Team and then by the Finance & Audit/ Audit & Standards Scrutiny Committee before being considered by the Cabinet who assumes overall responsibility for it.
- 3.24 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.
- 3.25 The individual performance appraisal system has been operated in the Council for several years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Business Strategy. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they can undertake their role effectively and have the opportunity to develop.
- 3.26 Programme Advisory Boards (PABs) have further developed in the year with one for each Portfolio Area. The PABs act in an advisory capacity, or providing guidance, in developing the projects/policies of Warwick District Council and in doing so, enabling backbench members to have greater involvement in shaping the executive decisions of the Council, particularly on services, key projects and programmes (but not day to day operations). This also helps to utilise the skills, knowledge, and talent of all Councillors in a more effective way. There is further development work to ensure a more consistent approach of the PABs and a report is anticipated to come forward from the Leader of the Council in the new Municipal year.
- 3.27 The Council has also established a joint advisory group of Councillors and a Joint Cabinet Committee with Stratford-on-Avon District Council in respect of the South Warwickshire Local Plan. The latter had its first meeting in April 2021. This will continue despite the decision by both sets of Members not to proceed with the merger proposals.
- 3.28 The two Scrutiny Committees have continued to reflect and develop their core areas of work. They have revised how they select areas for scrutiny, having developed and tested a method for selecting areas to look at. This was considered for formal adoption at the scrutiny meetings in April 2021.
- 3.29 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. Councillors are encouraged to ask questions on reports in advance of the committee meetings and, unless they are on confidential matters, these and the answers are then made available to the public on the Council's website along with the agenda and papers. All Council meetings that are held in the Council Chamber, such as the meetings of the Council's Cabinet, are recorded and broadcast via YouTube. When identifying the priorities and objectives for Council strategies, the views of stakeholders and the wider community are sought through a number of consultation mechanisms and are taken into account.

- 3.30 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 operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.31 At the end of 2019, the Council introduced the position of Performance Management Officer. Part of the role is to monitor the information published on the website to ensure it meets 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. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG).
- 3.32 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their annual reports submitted to Council. This included a Task & Finish Group that looked at Equality and Diversity, with an emphasis on race. The resultant recommendations, having been considered by both the Cabinet and the Employment Committee, were passed to the Transformation PAB for consideration.
- 3.33 As a key element of the governance framework, Internal Audit reviews are undertaken each year on a range of activities including one covering a specific aspect of governance.
- 3.34 The Governance framework for Milverton Homes is set out in the Articles of Association and the Shareholders Agreement. The latter clearly sets out the parameters for decision making and requires the company to prepare and submit for approval an annual Business Plan, audited accounts, quarterly performance reports, cash flow statements and cash flow forecasts for the company. Reserved Matters are grouped into Financial and Business; Share/Loan Capital and Constitutional; Management, Control, Directors and Employees; Insolvency and Related Proceedings. These matters may not be carried out without the prior written consent of WDC as Shareholder. The company is only able to carry out business in accordance with its Business Plan which must be approved annually by the Executive.
- 3.35 The Council has appointed two Council Directors in accordance with the Articles of Association and retains the right to appoint any person to be a Council Director and may remove from office any Council Director. The Council appointed the Chair who has a casting vote if the number of votes for and against a proposal at a meeting of Directors are equal. The Directors must ensure that the Company keeps a record, in writing, for at least ten years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors. The Council, as sole shareholder, may by special resolution direct the directors to take, or refrain from taking, specified actions.

#### **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 (also Deputy Chief Executive) 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 Cabinet, 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 Cabinet and/or the Council. All reports to Cabinet, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.
- 4.5 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 2021/22 has concluded that, in overall terms, the Council has an effective internal control and governance environment. This statement is based, however, on those audits that were able to be completed - the inability to complete three planned ICT audits inevitably qualifies this assurance.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. 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 a review was undertaken in 2020/21. Some areas for improvement were identified with the principal one being that the service should undertake a more risk-based approach, particularly in regard to compilation of the Audit Plan. An essential element of the assessment is to confirm 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. The findings of this review together with an action plan to address the issues raised were reported to the Finance and Audit Scrutiny Committee in March 2021 with an updated report in December 2021.
- 4.8 Grant Thornton was appointed as the Council's External Auditor for five years from 2018/19 to 2022/23 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2021/22 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made proper arrangements in all significant respects to secure economy, efficiency, and effectiveness in its use of resources.
- 4.9 Fortus has been appointed by the Board of Milverton Homes as the External Auditor and is responsible for reviewing the accounts and financial systems of the Company. They are to



support the presentation of accounts to the shareholders at the Annual General Meeting (AGM) enabling the Shareholders to fully assure themselves. A review has been undertaken by the Council in terms of governance arrangements which is being considered. The Deputy Chief Executive and Monitoring Officer also takes the role of Shareholder Representative in liaisons between the company and Council.

## **5 The Impact of the Coronavirus Pandemic**

- 5.1 The pandemic is revealing many issues the Council will need to reflect on as the business returns to a 'normalised state'. It is already clear that the possibilities provided by new technology and an appetite for flexible working need to be fully harnessed to improve factors such as: work/life balance; equality, diversity, and inclusion; environmental impact; and health and well-being of both officers and Members.
- 5.2 A consequence for the Council of the pandemic has been the reduction in income from sources such as parking charges, planning fees and rent and service charges. Whilst it is not the remit of the Annual Governance Statement to go into the detail of the impact, there will be issues of financial governance to reflect upon which must cover management, monitoring, review, and scrutiny.
- 5.3 In order to help to mitigate the financial impacts of the pandemic upon local authorities, the Government has issued various ring-fenced and non-ring-fenced grants. Whilst this significantly assisted the Council's finances in 2020/21 and 2021/22, it did not fully compensate for the financial losses. The Council's finances are still experiencing after-shocks because of the pandemic.
- 5.4 The on-going financial implications continue to be assessed by officers and be reported to members to help to inform the decision-making process.

## **6 Update on Joint Working and Merger with Stratford-on-Avon District Council**

- 6.1 During 2020/21 the international accountancy and consultancy firm, Deloitte, was commissioned to undertake a review of the financial and non-financial benefits of integration between Warwick District Council and Stratford-on-Avon District Council, up to and including the possibility of a full merger between the organisations.
- 6.2 The principal recommendation from Deloitte was that to achieve the maximum potential financial and non-financial benefits for the residents of South Warwickshire a full merger of the two councils should be considered. (The report can be viewed by clicking on the following link: [Deloitte Report](#).)
- 6.3 In December 2021 both Councils committed to seeking a full merger to create a new single statutory council for South Warwickshire by April 2024.
- 6.4 By the end of the 2021/22 financial year, the following progress towards a merger of the two councils had been made:
- A public consultation exercise on the proposals had been undertaken.
  - Approval for the merger had been sought from the Secretary of State.
  - Operational integration between the two authorities was well advanced with all heads of services being joint appointments and some services being either jointly provided or provided from one authority to both.

- In relation to joint contracts and arrangements, the Waste Management Contract had been procured jointly.
- A detailed paper on preparing a Local Plan for South Warwickshire had been agreed.
- Several key policies had been aligned, including:
  - Joint Organisational Change Policy Statement
  - Joint Redeployment Policy and Procedure
  - Joint Redundancy Policy and Procedure.

6.5 However, following a meeting between Council Leaders and Chief Executives on 14 April 2022, the Leader of Stratford on Avon District Council wrote to the Secretary of State to request a delay pending further due diligence to be completed on Milverton Homes, a company set up and wholly-owned by Warwick District Council. Conversely, the Leader of Warwick District Council considered that ongoing due diligence should not prevent the service integration progressing as planned and felt that delaying the merger would create further uncertainty for residents seeking assurances about local services as well as greater uncertainty for staff, especially those facing redundancy. The Leader of Warwick District Council felt that further delay would result in trust being undermined, making it untenable for the two authorities to further integrate services or merge.

6.6 Consequently, the Leaders of both authorities concluded that the proposed merger could not go ahead as planned. It was felt that there was a significant difference between the approaches and ambitions of the two councils that were irreconcilable and that a joint request should now be made to the Government to cancel the merger process.

6.7 Some of the joint working arrangements already put in place are planned to continue, such as legal services and business rates collection. Others, however, including the Joint Management Team and the service integration programme, have ended.

6.8 Throughout the timeline of the merger a communications and engagement plan ensured that there was constant interaction with staff and managers. This was achieved through joint Chief Executive briefings, service managers' forums, team talks and links with the employee consultation group, Staff Voice, as well as with the principal union, Unison. The emphasis on both the benefits of the merger and the impact if proposals didn't proceed were key to this communication. It is acknowledged, however, that feedback throughout this period was mixed - between understanding the rationale for the merger and the opportunities it would provide and significant concern over losing the Warwick identity. It is recognised that staff trust across the Council has been impacted adversely. Clearly this can have implications for governance and therefore, immediately following the decision to cancel the merger, the process began to rebuild trust. This started off as Chief Executive-led meetings with service managers, their teams and comprehensive communication activities. It is recognised, however, that much more work is needed, and a strategy will be drawn up to deliver this.

## **7 Significant Governance Issues**

7.1 Performance management continues to be an issue, in particular the range and content of performance data that councillors receive. When resolved, Councillors will need to be trained to enable them to access the information and scrutinise it effectively.

7.2 The new Overview & Scrutiny and Audit & Standards Committees will present challenges in terms of clarity of role. Councillors will need to be trained on the operation of the new Overview & Scrutiny and Audit & Standards Committees to enable them to participate more confidently.

- 7.3 Staff morale has been impacted adversely as a result of the merger process. A strategy to improve staff morale is required.
- 7.4 These issues are included in an action plan, progress against which is monitored quarterly by the Council's Senior Leadership Team and by the Audit and Standards Committee. Appendix 1, below, sets out the latest version of this action plan.
- 7.5 Significant governance issues raised in last year's annual governance statement have all been addressed. This can be confirmed in Appendix 2, below.

## **8 Conclusion**

- 8.1 The governance framework described in this document has been in place at Warwick District Council for the year ended 31 March 2022 and up to the date of approval of the annual statement of accounts.
- 8.2 We confirm our commitment to implementation of actions to address the governance issues identified in this Statement (and summarised in Section 7, above).

### **Signed:**

\_\_\_\_\_  
Councillor Ian Davison  
Leader of the Council

\_\_\_\_\_  
Christopher Elliott  
Chief Executive

### **Dated:**

# The Audit Findings for Warwick District Council

**Year ended 31 March 2022**

3 December 2024



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## Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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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This Audit Findings 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. Its contents have been discussed with management.

Laurelin Griffiths  
For Grant Thornton UK LLP  
3 December 2024

# 1. 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 2022 for those charged with governance.

## Financial Statements

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 give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- 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.

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.

Under the Accounts and Audit (Amendment) Regulations 2024, a publication date for the financial statements in respect of 2021/22 has been set at 13 December 2024.

As at the date of this report, we have concluded a number of areas of our audit work. Where our work is concluded we have set out the detail of the work undertaken and our findings in the body of this report. Where audit work has not been concluded, we have highlighted the work undertaken to date, and any audit findings and recommendations, along with the key areas which remain outstanding.

The main areas on which we have been unable to conclude our work are the Council's capital transactions, and any balances and transactions which originate in the Council's Fixed Asset Register. In addition, management did not provide us with updated financial statements until 30 November 2024 and have not provided us with a full set of supporting information to enable us to complete our final checks on those updated statements.

Our audit of the Council's financial statements has been challenging and time consuming for officers and auditors. This is primarily owing to delays, significant in some cases, in obtaining working papers and reports – often exacerbated as officers learn how to get the best out of the new ledger system.

Our findings from the work we have undertaken are summarised on pages 3 to 19. We have identified a number of adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Unfortunately, in view of the work which is outstanding, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. The limitations of scope imposed by the backstop mean that we will be unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. Our draft opinion is attached in Appendix F.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was previously presented to the Audit & Standards Committee in August 2024.

We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit at the time of issuing our audit opinion.

## Significant Matters

We have encountered significant difficulties in the course of our audit work. These are set out on the following pages.



# 1. Headlines

## Significant Matters

### Initial delay in publication

Officers notified the audit team well in advance that they would not be able to publish draft accounts by 30 July 2022, as required by the relevant legislation. We agreed an expected date of early September, which Officers were able to meet. While they are to be commended for sticking to the revised timetable, on receipt of the draft financial statements it immediately became clear that there had not been a robust quality assurance process to ensure that the financial statements were as free from error as possible.

### Lack of Quality Assurance

Our initial review of the financial statements, before any testing had begun, identified very significant increases in both income and expenditure for portfolios within the Comprehensive Income and Expenditure Statement (CIES) compared to the previous year. These were not in line with our expectations, and so we challenged these movements with management. Officers subsequently identified that reports used to prepare the CIES had been set up incorrectly in the new finance system. The effect of this error was a highly material overstatement of both reported Gross Expenditure and Gross Income. The difference in the CIES once this was corrected was £43,502k. As this affected both expenditure and income equally, Net Expenditure was unchanged.

Other significant errors that the audit team identified on initial review of the draft financial statements included, but are not limited to: errors in the Movement in Reserves Statement, which was not consistent with the CIES; errors in the Expenditure and Funding Analysis, which was internally inconsistent, and did not agree to the outturn reported to members; errors in Note 14 (Property, Plant and Equipment), where classes of asset which are not subject to revaluation showed valuation movements, and where all revaluation movements showed as being posted to the Revaluation Reserve through Other Comprehensive Income, with no movements taken to the Surplus/Deficit on Provision of Services, and incorrect processing of depreciation adjustments upon revaluation; a negative prepayment in Note 19 (Debtors); and issues with the Group Accounts.

In our view, these issues were all apparent from reading the financial statements as a standalone document, and the majority of these should have been identified and addressed through the Council's internal quality assurance processes before the draft financial statements were published, and provided for audit.

### Difficulties in providing appropriate reports for audit sampling

Officers and auditors spent significant amounts of time working together to produce and agree suitable reports for audit testing in a number of areas, in particular journals, debtors and creditors. Our work on journals has been made more complicated owing to the change in financial accounting system part way through the year. Management override of controls is a significant risk for all audits. The processing of journals is a key area under this risk and is an area of particular audit focus. Our work is supported through use of specialised software which allows for the identification of journals which meet specific characteristics. This approach provides higher levels of assurance to both auditors and Those Charged With Governance than a purely manual approach would. However, auditors need certain information to be able to use the software, and this proved problematic on both systems. With the new ledger system it took a significant amount of time for us to be provided with a journals report which showed all of the officers who had been involved in the journal, rather than just the individual who interacted with the transaction last. This is a key area for us to be able to test for appropriate segregation of duty. We were not provided with this information for several months, and it took a number of attempts to obtain it. We were provided with appropriate listings and reports in December 2022, after the audit was planned to have finished.

Our work on trade receivables and trade payables was also far more challenging than officers and auditors would have wished. We experienced considerable delays in obtaining suitable reports for audit in both of these areas. Included in Note 19 – Debtors – is an amount of £5,988k for 'trade receivables'. These are amounts owed to the Council, usually by trade customers. In most councils officers are easily able to run reports analysing this balance at a point in time, usually on an aged basis, which is then used for debt collection and credit control. Officers were unable to do this, and provided us with a transaction listing for the full year, including thousands of lines of 'ins and outs' relating to the balance. These original reports were not in a format that was appropriate for audit testing because they included highly material balances brought forward from prior years with no clear way to determine what amounts were owed to or from the Council at 31 March 2022.

Listings provided for the testing of trade receivables included debit items totalling £147,831k and credit items totalling £141,844k. These reports therefore totalled £289,675k on an absolute basis, to support a balance of £5,988k. The position on trade payables was similar, with a balance of £5,454k supported by reports totalling £230,046k on an absolute basis.

# 1. Headlines

## Significant Matters (continued)

### Significant issues identified with capital records and capital transactions

The Council implemented a new Fixed Asset Register (FAR) for the 2021/22 financial year, which was incorrectly set up, and this has caused significant issues with the Council's asset records. Significant and important transactions were incorrectly posted within the system due to issues with the way that it was set up. The system is also 'live', and therefore all changes to the data within it are immediate and prospective, and management cannot provide historic point-in-time reports.

We have not been able to gain assurance that the FAR reconciles to the general ledger and the financial statements at 31 March 2022, and we have also been unable to gain assurance that the movements and transactions posted into the ledger based on the FAR were accurate, appropriate, or in line with the accounting standards and the Code. This was a particular issue for revaluation movements, where we found indication that revaluation movements were not being treated correctly in the FAR. We have also been unable to tie the movements in revaluations through to appropriate reports which demonstrate the allocation of those movements to the Revaluation Reserve and the CIES as appropriate.

Following audit challenge, management have worked closely with the company that provide the general ledger and FAR to resolve these issues, but have not been able to do so in the time available. Significant questions and uncertainties remain.

We have also raised concerns with the Council's asset management, including: a lack of valuation of surplus assets, as required for assets held at fair value; a lack of processes or checks to capture disposals of assets via means other than sales; potential material issues with the Council's assets under construction records and balances, where we note that there are material balancing figures being added and removed from the balance in the Council's working papers which appear to be caused by issues with the recognition of transfers out of AUC; and potential issues with the Council's accounting for significant capital projects and capital retention balances, where the Council has not been able to provide us with sufficient appropriate support for its treatment of balances and assets.

In August 2024 it was agreed that the issues in the Council's FAR and asset records were so significant that it would not be possible for management to fully rectify these, and for the audit team to fully audit the results, before the Government-imposed backstop in December 2024. It was also agreed that management's time and effort would be better spent on getting to a 'correct' position at 31 March 2024 that could be audited as part of the 2023/24 financial statements audit, with a view to rebuilding assurances going forward. The Audit & Standards Committee were informed of this decision at the meeting of 27 August 2024. Our audit opinion has been modified in respect of this matter – see the draft wording included at Appendix F.

### Additional audit resource required

We have had to add to the strength and capacity of our audit team, including the use of a further two Assistant Managers during 2023 while we worked to resolve issues and complete as much of our audit work as possible. Despite this, the significant issues identified with the Council's capital records have resulted in protracted discussions between the audit team and management, which have spanned the latter half of 2023 and all of 2024. In addition, some non-capital queries remained unresolved for significant periods of time. All of this work has resulted in an increase in the proposed Audit Fee, as set out in Appendix D.

### Updated financial statements

Based the audit work that we have completed, we expect highly material changes to all four primary statements – the CIES, Balance Sheet, Movement in Reserves Statement (MIRS) and the Cash Flow Statement. As management did not provide us with updated financial statements until 30 November 2024, and have not provided us with a full set of supporting information, we have not been able to complete our final checks on those updated statements.

### Impact on our Value for Money work

The significant challenges we have encountered in our audit work, and the number and magnitude of adjustments to the financial statements, have resulted in a significant weakness being reported in the Council's arrangements to secure Value for Money. For further detail on the work performed, see our Auditor's Annual Report, which was reported to the Audit & Standards Committee in August 2024.

## 2. Financial Statements

### 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;
- An evaluation of the component of the group based on a measure of materiality considering it as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. Significant discussions were held with management about the inclusion of group accounts in the financial statements, and it was eventually decided that these were not necessary. No audit work was therefore completed on the balances and transactions of other entities in the group; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

### Conclusion

As highlighted on page 3 of this report, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. Combined with the significant issues identified and delays experienced during the audit of the Council's capital records, the limitations of scope imposed by the backstop are so extensive that we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out in an Appendix F.

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We advise you to follow relevant guidance including that from the NAO and the FRC to work with your new auditor over the coming years, to seek to rebuild audit assurance.

## 2. Financial Statements



### Our 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 levels remain the same as reported in our audit plan.

We note that in our audit plan we were anticipating setting a separate materiality for the group. Following initial work performed, we are satisfied that group accounts were not required for 2021/22. A separate materiality was therefore not set.

We detail in this table our determination of materiality for Warwick District Council.

	Council (£)	Qualitative factors considered
Materiality for the financial statements	1,600,000	We determined planning materiality to be £1,600k (PY £1,400k) for the Council, which equates to 1.75% of your prior year gross expenditure.
Performance materiality	1,000,000	<p>We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at approximately 65% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors:</p> <ul style="list-style-type: none"> <li>• We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment.</li> <li>• There has not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Council.</li> <li>• Senior management and key reporting personnel in the finance function has remained stable from the prior year audit.</li> </ul>
Trivial matters	80,000	We determined the threshold at which we will communicate misstatements to the Audit & Standards Committee to be £80k.
Materiality for senior officers' remuneration	10,000	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.

## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council 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 of material misstatement.</p>	<p>To address this risk we:</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 by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p><b>Findings</b></p> <p>Our work on the Council's in-year journal transactions has not identified any instances of management override, although we have raised a control recommendation in relation to IT access rights. Our work on accounting estimates and critical judgements made by management has not raised any concerns, other than the significant issues discussed elsewhere in this report in relation to the Council's capital records and fixed asset register.</p>
<p><b>New financial ledger implementation</b></p> <p>The new financial ledger went live in November 2021. There is a significant risk that the transfer of data from the old system to the new one is not complete or accurate.</p>	<p>To address this risk our IT auditors reviewed the Council's process for ensuring the data migration was complete and accurate and the IT General Controls in place around the new financial ledger.</p> <p><b>Findings</b></p> <p>The findings from the work undertaken by our IT auditors were reported to management separately. As noted above, we have raised a recommendation in relation to excessive access rights in the new ledger system. No significant issues were identified in the completion of our work.</p> <p>We have reported earlier in this report the significant challenges that management have faced in producing appropriate reports in some areas, and the significant issues identified with capital records. While this is to be expected with a new system the extent of the issues has caused significant additional work and delays for auditors and officers.</p>

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Improper revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumed risk can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue and expenditure recognition could be rebutted, because:

- there is little incentive to manipulate revenue and expenditure recognition;
- opportunities to manipulate revenue and expenditure recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable.

Therefore we did not consider this to be a significant risk for Warwick District Council.

#### Findings

We have not identified anything during the completion of our work that has caused us to reconsider this assessment.

We have identified a highly material error in the income reported in the CIES, but this was due to a mapping issue rather than an error in the underlying records.

We have also noted some issues through our testing of transactions around the year-end, and have raised a recommendation in this area.

#### Risk of fraud related to expenditure recognition

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We rebutted this risk for Warwick District Council because:

- expenditure is primarily related to employee costs; and
- lack of incentive to manipulate financial results, coupled with an overall strong control environment.

We therefore did not consider this to be a significant risk for Warwick District Council.

#### Findings

Similar to the revenue assessment above, we have not identified anything during the completion of our work that has caused us to reconsider this assessment.

We have identified a highly material error in the expenditure reported in the CIES, but this was due to a mapping issue rather than an error in the underlying records.

We have also noted some issues through our testing of transactions around the year-end, and have raised a recommendation in this area.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings

The Council revalues its land, buildings and council dwellings 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 (approximately £438m of council dwellings and £82m other land & buildings) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council 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 program is used.

We have 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.

To address this risk we:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the Council's balance sheet; and
- evaluated assumptions made by management for assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

#### Findings

Management use an external valuer, Carter Jonas, to provide valuations. We did not identify any issues with the valuations of individual assets revalued in year based on the work that we were able to complete. However, due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we have been unable to confirm that the valuation reports provided are consistent with the fixed asset register, the general ledger and the financial statements, or that these valuations have been processed correctly in the financial statements.

Our work has identified a number of other potentially material issues in the Property, Plant and Equipment disclosure and balances in the financial statements, including:

- misallocation of additions across the categories of PPE;
- assets not being appropriately written out of the Council's records where disposals were for reasons other than sale;
- assets that transferred out of AUC into operational HRA transferred at the wrong value. These assets should have been transferred out at cost (£14m) and then valued as part of the operational portfolio (down to £10m), leading to a downwards revaluation in the HRA which is not disclosed in the draft accounts;
- assets having revaluation reserve balances in excess of their value, which is not possible under correct accounting principles;
- issues with the treatment of capital retention balances. From our testing of cash payments and invoices received immediately following the year-end, we identified a risk of material misstatement in this area and do not consider that we have assurance that there is not a material error in these balances;
- uncertainties regarding the appropriateness of the accounting for multi-year capital projects; and
- potential issues regarding the timing of the transition from AUC to operational assets.

However, as we have not been able to reconcile the Council's records it is not possible to fully confirm and quantify these and other issues. **Our audit report has been modified in this regard.**



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of the pension fund net liability

The Council'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. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£33.7m in the Council's balance sheet; £50m in the prior year) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where the actuary indicated that a 0.5% change in these two assumptions would have an approximately £16.5m - £18.5m (8.4 to 9.4%) effect on the gross liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

To address this risk we:

- updated our understanding of the processes and controls put in place by management to gain reasonable assurance that Council's net pension liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- 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;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and
- obtained assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

#### Findings

The audit of the Warwickshire Pension Fund identified that gross assets were understated by £13.6m owing to delays in the valuation process for the fund's assets. This is normal due to the required timelines for closing down and reporting the results of the financial year.

The Council's share of this error would be £0.8m, meaning that assets are understated by this amount. Were management to adjust for this the net LGPS liability would be reduced by the same amount. Management have declined to amend on the basis that it is immaterial and will be corrected in the next valuation. This is included in the unadjusted misstatements included in Appendix C.

Due to the delay in completing the audit, the results of the 2022 triennial valuation of the pension fund are available. These results provide better information about the pension fund at 31 March 2022 than had initially been used in the draft financial statements (which were based on the rolled forward results of the 2019 valuation).

Management commissioned a revised IAS19 report from their actuary to account for this updated information, which has resulted in a material adjustment to the accounts, increasing the pension liability by £2.7m.

## 2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
<p><b>Preparation of group financial statements</b></p> <p>This is the first year that the Council prepared group financial statements.</p>	<p><b>Findings</b></p> <p>The Council's draft financial statements included group accounts, incorporating the Council's subsidiary, Milverton Homes Ltd (MHL). We challenged management on the inclusion of these accounts, as they did not materially differ from the Council's single entity accounts in any way.</p> <p>The Council's initial response was simply that they had consolidated the accounts of MHL as the wholly owned subsidiary. It became clear that no consideration had been given to the correct treatment of Crewe Lane JV LLP, MHL's joint venture delivery vehicle, as the Council had only consolidated MHL's single entity accounts.</p> <p>We therefore requested that the Council consider how the group accounts should have been prepared as per the requirements of the Code. When management provided us with their revised assessment, it incorrectly assessed the JV as a 'structured entity' to the Council.</p> <p>We further challenged management on their assessment and, through discussions with the accountants for MHL, management were able to demonstrate that the correct treatment for incorporating the JV into MHL's accounts brought the investment in at a value of £nil. This therefore meant that there was no requirement for group accounts to be prepared, and they have been removed.</p>
<p><b>Valuation of investment properties</b></p> <p>The Council is required to revalue its investment property annually.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £10.3m of investment property) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>tested revaluations made during the year to see if they had been input correctly into the Council's balance sheet.</li> </ul>
	<p><b>Findings</b></p> <p>We did not identify any issues with the valuations of individual assets revalued in year based on the work that we were able to complete. We are satisfied that, for investment properties, the valuation report agrees to the value of investment properties that is presented in the financial statements. However, due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we are unable to give full assurance over these balances. <b>Our audit report has been modified in this regard.</b></p>

## 2. Financial Statements - new risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary
<p><b>Valuation of infrastructure assets</b></p> <p>The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Warwick District Council has material infrastructure assets, at a gross/net value basis, therefore there is a potential risk of material misstatement related to the infrastructure balance.</p>	<p>CIPFA has published an Update to the Code on Infrastructure Assets - November 2022, that applies from the financial year 2021/22 to the financial year 2024/25. This removes the requirement to disclose gross book value and accumulated depreciation for infrastructure assets.</p> <p>DLUHC has put before parliament Statutory Instrument 2022 No 1232 (England) - effective from 25 December 2022 which includes two key elements:</p> <ul style="list-style-type: none"> <li>• The local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets.</li> <li>• Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code.</li> </ul> <p>We anticipate management amending the presentation of the financial statements as a result of the Statutory Instrument, however, due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we have been unable to gain sufficient, appropriate assurance over these balances. <b>Our audit report has been modified in this regard.</b></p>
<p><b>Treatment of capital retentions</b></p> <p>Where significant capital projects are undertaken, it is not unusual for 'retentions' to be withheld from payments to contractors.</p> <p>These amounts are not paid over until the project reaches completion, however they are amounts owed for works that have already been undertaken. These balances should therefore form part of the Council's payables balance, and (where the expenditure is capital in nature) the costs should be capitalised as part of the asset being constructed.</p>	<p>The Council has been unable to evidence that it has accrued appropriately for retentions on its capital projects at the end of the financial year.</p> <p>Our testing of cash payments and invoices received immediately following the year-end has identified a number of errors in relation to this issue. A rough extrapolation of these issues indicates a potential understatement of £1,369k. We therefore do not consider that we have assurance that there is not a material error in these balances.</p> <p>Management assert that retentions are appropriately accounted for, and we requested support to demonstrate that retention balances were being monitored and appropriately accrued at 31 March 2022. We did not receive this support in advance of the backstop date and so have not been able to gain assurance in this area.</p>

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments
Council Dwellings, Other Land and Building, and Investment Property valuations	<p>The Council's financial statements show that it owns 5,527 (PY: 5,462) dwellings. These are valued using the beacon methodology, in which a detailed valuation of representative properties for properties of all types is then applied to similar properties.</p> <p>The Council completed a full valuation of council dwellings at 31 March 2022. The year end valuation of Council Dwellings was £438.085m.</p> <p>Other land and buildings comprises specialised assets which include assets such as Newbold Comyn Leisure Centre, Royal Spa Centre, and 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 are not specialised in nature and are required to be valued at existing use value (EUV) at year end.</p> <p>The Council also holds investment properties, which were valued at £10.3m at year-end, a net increase of £0.266m from 2020/21.</p> <p>The Council has engaged its own external valuer, Carter Jonas LLP, to complete the valuation of these properties.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed the objectiveness and competency of management's expert;</li> <li>considered the completeness and 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; and</li> <li>reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>We did not identify any issues with the valuations of individual assets revalued in year based on the work that we were able to complete.</p> <p>Due to the significant issues identified in the Council's capital records and capital transactions, discussed elsewhere in this report, we are unable to give full assurance over these balances. <b>Our audit report has been modified in this regard.</b></p>

## 2. Financial Statements - key judgements and estimates

### Significant judgement or estimate

### Summary of management's approach

### Audit Comments

#### Net pension liability

The Council's total net pension liability at 31 March 2022 per the draft accounts is £33.7m (PY £49.8m).

The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council'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).

A full actuarial valuation is required every three years. 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.

The formal valuation of the Warwickshire Pension Fund at 31 March 2022 (and for all English and Welsh LGPS Funds) was concluded by 31 March 2023, giving better information about the membership and position of the fund at the balance sheet date.

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). 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 2022.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.70%	2.70- 2.75%	●
Pension increase rate	3.20%	3.15-3.30%	●
Salary growth	4.00%	3.15-4.30%	●
Life expectancy – Males currently aged 45 / 65	22.7 / 21.6 years	21.4-24.3 years / 20.1-22.7 years	●
Life expectancy – Females currently aged 45 / 65	25.9 / 24.1 years	24.8-26.7 years / 22.9-24.9 year	●

We have also reviewed the:

- completeness and accuracy of the underlying information used to determine the estimate;
- there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above;
- reasonableness of the Council's share of LGPS pension assets;
- reasonableness of decrease in estimate; and
- adequacy of disclosure of the estimate in the financial statements.

We have also reviewed the revised actuarial report reflecting the updated information available as a result of the triennial valuation of the pension fund. Management have agreed to make a material adjustment to the accounts to reflect this revised report, increasing the pension liability by £2.7m.

## 2. Financial Statements - 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We identified omissions from the Council's related party transactions disclosures through the completion of our work in this area. These omissions were trivial to the Council's financial statements, but have resulted in a recommendation in Appendix A.
Matters in relation to laws and regulations	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 to date.
Written representations	A letter of representation will be requested from the Council upon the completion of our work.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to those organisations with which it banks, invests and borrows from. This permission was granted.  We have identified no issues from the work performed to agree the Council's records to those records held by third parties. We have, however, identified other issues in the Council's cash balances in the financial statements, as reported elsewhere in this report.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations / significant difficulties	It has taken significant time to obtain appropriate audit trails in a number of places, and certain reports have also taken longer to obtain in an appropriate format than would be expected, for example debtor, creditor and journal reports.  The finance team are aware that it will take time for the new finance system to be fully effective, and for reports to be set up so that they are fit for purpose in the first instance.  In addition, we have identified significant issues with the Council's capital records and fixed asset register, as discussed elsewhere in this report.

## 2. Financial Statements - other communication requirements



### 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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>As we have been unable to conclude our audit in advance of the local authority backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<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 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>Our work on the Narrative Report identified a number of amendments. Our work on the Annual Governance Report identified that a number of enhancements were required to fully comply with requirements. Management have amended both documents.</p> <p>As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>Because of the significance of the matters that have resulted in the disclaimer of opinion, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' 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.</p> <p>We also note that our Auditor's Annual Report, as presented to the Audit &amp; Standards Committee in August 2024, included a significant weakness in relation to financial sustainability as a result of the issues and delays experienced in the audit.</p>
Specified procedures for Whole of Government Accounts	<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 work is no longer required as the NAO have completed their work on the WGA for 2021/22.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2021/22 audit of Warwick District Council in the audit report.</p>

# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

The results of our VFM work were reported to the Audit & Standards Committee in August 2024, and included a significant weakness and Key Recommendation in relation to the issues and delays experienced during the course of the audit.

## 4. 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 4. Independence and ethics

## 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. The following non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit subsidy certification 2020/21 (May 2021 – January 2022)	20,000	<div>For these audit-related services, we consider that the following perceived threats may apply:</div> <ul style="list-style-type: none"><li>Self Interest (because these are recurring fees)</li><li>Self Review</li><li>Management</li></ul>	<div>The level of recurring fees taken on their own is not significant in comparison to the confirmed scale fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level.</div> <div>Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statement to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to the audit of the financial statements, and is performed after the audit of the financial statements has been completed.</div> <div>The scope of work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.</div>
Certification of Pooling of Housing Capital Receipts 2020/21 (January 2022)	2,300		
Housing Benefit subsidy certification 2021/22 (May 2022 – May 2023)	22,600		
Certification of Pooling of Housing Capital Receipts 2021/22 (January 2023 to date)	7,500		
Housing Benefit subsidy certification 2022/23 (Not yet commenced)	24,600		
Certification of Pooling of Housing Capital Receipts 2022/23 (Not yet commenced)	10,000		
There were no non-audit related services			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Standards Committee. None of the services provided are subject to contingent fees.

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified 15 recommendations for the Council as a result of issues identified during the course of our 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.

## Controls

- High – Significant effect on financial statements
- Medium – Limited effect on financial statements
- Low – Best practice

Assessment	Issue and risk	Recommendations
High	<b>Significant errors in the draft financial statements</b> Our initial review of the financial statements presented for audit identified a number of highly material errors and a significant number of minor corrections in the financial statements which a robust quality assurance process should have identified.	Officers need to ensure that the closedown and accounts production timetable includes sufficient time for robust quality assurance procedures. <b>Management response</b> [...]
High	<b>Excessive IT user access rights</b> There are a number of individuals within the finance team with access rights beyond those needed for their role. Management should be cognisant of the fraud risk associated with individuals having both elevated access (admin rights) and also undertaking operational roles.	The Council should review the access of its employees and rectify this issue where necessary. <b>Management response</b> [...]
High	<b>Bank reconciliations</b> During our audit work on the cash balances at 31 March 2022, we identified that the Council was not completing regular, formal bank reconciliations, and no evidence was retained of any reconciliation processes that were completed during the financial year. There was no formal, documented bank reconciliation prepared at 31 March 2022. During our audit work we have identified balances included in cash that did not exist, balances included in cash that should have been included in debtors, and balances that should have been treated as reconciling items in a bank reconciliation (as they were timing differences between the Council's records and the bank's records) and were not.	Officers need to ensure that the full cash balance, and any investment balances, are reviewed regularly to ensure that records are accurate. Formal bank reconciliations should be completed on a monthly basis as a minimum, and these reconciliations should be documented and retained. Suspense accounts should, wherever possible, be cleared at each month-end. <b>Management response</b> [...]

# A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	<p><b>New General Ledger and available information and reporting</b></p> <p>There were a number of instances during the audit where Officers were unable to provide relevant general ledger data and appropriate reports for audit in a timely manner. This is also linked to the issues discussed above relating to quality assurance over the draft financial statements.</p>	<p>Officers should improve their understanding of the reporting functionality available to them from the new general ledger in order to obtain appropriate information first time. This will allow the preparation of more accurate financial statements, and will allow future years' audit teams to undertake their work more efficiently.</p> <p><b>Management response</b></p> <p>[...]</p>
High	<p><b>New Fixed Asset module and available information and reporting</b></p> <p>There has been significant, protracted discussion with Officers relating to the functionality of the Fixed Asset module, and the capital information available to support the Council's financial statements.</p> <p>As discussed earlier in this report, we have identified a number of areas of concern and potential issues in this area, and have not been able to gain assurance over these balances and transactions.</p> <p>Our view is that a number of these issues should have been identified through management's quality assurance processes.</p>	<p>Officers should improve their understanding of the functionality of the Fixed Asset module, and ensure that it is following the requirements of the CIPFA Code and relevant accounting standards.</p> <p>They should also ensure that appropriate levels of information and system reports are retained at each year-end to support the balances and transactions in the financial statements, and to demonstrate that proper accounting principles are being followed.</p> <p><b>Management response</b></p> <p>[...]</p>
High	<p><b>Analysis of Assets Under Construction balances</b></p> <p>During the course of our audit, management were unable to provide us with sufficient detail to support the AUC balance, and in particular to identify which assets had transferred out of AUC during the financial year.</p> <p>There is a risk that, over time, errors may accumulate within this balance.</p>	<p>We recommend that management maintain AUC records on an asset-by-asset basis where individual assets are identifiable, as opposed to by project as is currently the case. This will also assist management with actioning the recommendation below.</p> <p><b>Management response</b></p> <p>[...]</p>
High	<p><b>Lack of regular consideration of AUC impairment</b></p> <p>No formal consideration was given to the potential need to impair assets under construction at year-end. Following audit challenge, the Council has made an adjustment to impair one asset by £1,620k. There remains a risk that other required impairments have not been identified.</p>	<p>The Council should complete a formal impairment review with sufficient regularity to ensure that AUC are not held in the Balance Sheet at a materially incorrect value.</p> <p><b>Management response</b></p> <p>[...]</p>



# A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	<b>Year-end accruals process</b> Our testing of the Council's year-end balances, and of transactions in the period immediately after the 31 March 2022, identified errors and omissions in debtors, creditors, and in particular capital creditors.	The Council should look to improve its year-end processes and controls so that items of income and expenditure, both revenue and capital, are included within the correct financial statements. <b>Management response</b> [...]
Medium	<b>Accruals de minimis</b> The Council has a de minimis threshold of £10k in place for its income and expenditure accruals. This de minimis policy has not been reviewed since 2018/19 when it was introduced.	The Council should review this policy sufficiently regularly to ensure that there is no risk that material amounts and balances are omitted from the financial statements. <b>Management response</b> [...]
Medium	<b>Frequency of property valuations for operational properties</b> The Council's accounting policy for measurement of property states that '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 current value at year-end, but as a minimum every five years.' This policy is consistent with the requirements of the CIPFA Code. However, the Council has not complied with its policy in 2021/22.	The Council needs to put in place arrangements to ensure that all assets are revalued sufficiently regularly to comply with its accounting policy and the requirements of the Code. <b>Management response</b> [...]
Medium	<b>Frequency of property valuations for surplus properties</b> Per the CIPFA Code, surplus assets should be measured at fair value in the Balance Sheet, which requires a formal annual revaluation to be performed. Not all of the Council's surplus assets were revalued at 31 March 2022, with some last valued at 31 March 2019 and one asset held at historic cost.	The Council should put in place arrangements to ensure that, where assets are required to be held at fair value, those assets are revalued at each balance sheet date. <b>Management response</b> [...]
Medium	<b>Annual declarations and related parties</b> Our work on Related Party Transactions identified seven undeclared Member interests, two of which were organisations with which the Council had transactions during the year. It is very important that Members (and Officers) declare all organisations in which they have an interest so that they can be protected from any allegations of impropriety.	The Council should ensure that both Members and Officers are aware of the importance of making declarations, irrespective of whether they anticipate the Council having transactions with those organisations. Additional controls should be established to ensure that obvious omissions are identified by the Council. <b>Management response</b> [...]

# A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p><b>Supporting breakdowns of collection fund reliefs</b></p> <p>Management was unable to provide complete breakdowns of the Council Tax and Business Rates reliefs and discounts granted during 2021/22. They were able to provide reports showing the breakdown for the accounts which were allocated an award relating to the 2021/22 year, but not those that were for previous years but were actioned in 2021/22.</p> <p>As the majority of the awards granted in 2021/22 were in relation to 2021/22, these breakdowns were close to the account totals but none agreed exactly.</p>	<p>Officers should review the reporting available in relation to Council Tax and Business Rates reliefs and discounts, and determine how best to obtain this information going forward.</p> <p><b>Management response</b></p> <p>[...]</p>
Medium	<p><b>Provision for Business Rates appeals</b></p> <p>The Council's provision for Business Rates appeals includes a material balance for potential appeals that are not already in the Check, Challenge and Appeal process. This balance was calculated as 4.7% of projected 2022/23 NDR income.</p> <p>GT's view is that it is not appropriate to calculate a provision based on income not yet earned - it should instead have been calculated based on elements of historic income. We have also not been provided with evidence that management have formally reconsidered the appropriateness of using 4.7% as the basis for this estimate (4.7% being an historic, national average.)</p>	<p>Management should formally review their approach to calculating this provision, to ensure that it is being calculated using the best available information for potential appeals from businesses within Warwick District.</p> <p><b>Management response</b></p> <p>[...]</p>
Medium	<p><b>Trade payables and receivables breakdowns</b></p> <p>Our work on trade receivables and trade payables was challenging due to a lack of suitable reports. Management were unable to provide a breakdown of balances owed to and owed by the Council at 31 March 2022, and were only able to provide reports showing transactions relating to these balances throughout the financial year.</p> <p>This means that management have no clear way to determine what amounts were owed to or by the Council at any given date.</p>	<p>Management should review the reporting functionality of the new general ledger to identify a way to report on, and therefore appropriately monitor and manage its creditor and debtor balances.</p> <p><b>Management response</b></p> <p>[...]</p>

# B. Follow up of prior year recommendations

## Assessment

- ✓ Action completed  
X Not yet addressed

We identified the following issues in the audit of Warwick District Council's 2020/21 financial statements, which resulted in four recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations below, but note that these remain ongoing issues.

Assessment	Issue and risk previously communicated (from PY AFR)	Update on actions taken to address the issue
X (superseded)	<p><b>Bank Reconciliation</b></p> <p>The 'cash in bank' balance is composed of various cost centre accounts - all of which are separately maintained for the bank balance and other cash reconciling items such as cash in transit, unpresented cheques and cash transfers in/out. Officers prepare monthly cash reports to summarise cash income, expenditures, and transfers in/out during the period and agree them to the ending balances of each cost centre. However, there is really no bank reconciliation performed during the year for the whole cash in bank account. Hence, Officers overlooked to reconcile the difference of £1m at the end of the year.</p> <p>Officers advised the audit team that the difference comes from the postings on "PARIS suspense account." Being a suspense account, this should be zeroed out at year-end. On further investigation Officers identified that they overlooked to make an entry to reclassify the PARIS suspense account to short-term debtors.</p> <p>Officers are also unable to reconcile the remaining difference of £94k between the adjusted cash balance per the bank reconciliation and balance per the ledger. Officers believe the difference may pertain to the timing difference between the bank statement and ledger postings.</p>	<p><b>Previous recommendation</b></p> <p>Management should prepare monthly bank reconciliations that consider all the cost centre accounts that make up the cash in bank account. Any suspense accounts should be cleared and reconciling items investigated at the same time.</p> <p><b>Update</b></p> <p>Following the implementation of the new general ledger, the Council's bank reconciliation processes have inevitably changed.</p> <p>As reported earlier in this report, Officers have written off a significant historic cash balance during 2021/22 following audit challenge.</p> <p>This would imply that Officers had not reviewed these balances appropriately during the year, or as part of the accounts production process.</p> <p>We have therefore raised a new recommendation in 2021/22, based on our findings and the new process. We consider this recommendation is superseded.</p>

# B. Follow up of prior year recommendations

## Assessment

- ✓ Action completed  
X Not yet addressed

Assessment	Issue and risk previously communicated (from PY AFR)	Update on actions taken to address the issue
X (superseded)	<p><b>Fixed Asset Register</b></p> <p>There is an £89k difference between the fixed asset register and the ledger, and hence the financial statements. Officers are unable to identify why this is and correct the imbalance.</p> <p>While there is little risk of the property values being materially misstated, even over time, the two should agree.</p> <p><b>Recommendation</b></p> <p>Management should identify and correct the differences between the fixed asset register and the ledger.</p>	<p>Significant issues have encountered during the audit of the Council's capital records in 2021/22, as discussed elsewhere in this report. We have been unable to reconcile the Council's financial statements, general ledger, fixed asset register and valuation reports. We have also been unable to reconcile the opening position of the fixed asset register to the closing position for the previous financial year.</p> <p>We have therefore raised a new recommendation in 2021/22, based on our findings and the new process. We consider this recommendation is superseded.</p>
TBC	<p><b>Floor area evidence to support property valuations</b></p> <p>Neither the external valuer, Carter Jonas, nor officers, were able to provide us with floor areas for the assets we tested. We were provided with floor plans, but these did not include any measurements.</p> <p><b>Recommendation</b></p> <p>As floor area is a key determinant in the valuation of some properties, Management need to ensure that this information is readily available.</p>	<p>No such issues were identified during the work that we have completed on the balances at 31 March 2022. However, due to the significant capital issues encountered during the audit, discussed elsewhere in this report, we were unable to complete our work in this area.</p> <p>We are therefore unable to provide a conclusion on whether this recommendation has been appropriately addressed during 2021/22.</p>
X (superseded)	<p><b>Provision for Business rates appeals</b></p> <p>The provision is estimated based on the national average of 4.7% which is applicable in the previous calculations of provisions for business rates appeals.</p> <p>By using an out of date process the estimate of the provision could be misstated.</p> <p><b>Recommendation</b></p> <p>The Council should consider the Check, Challenge and Appeal (CCA) data in the computation of provision for business rates appeals.</p>	<p>The Council has amended its approach to calculating the provision for appeals in 2021/22, and has incorporated the Check, Challenge and Appeal data and information into this estimate. However, the provision still also retains a balance for other potential appeals, using the same methodology as in previous years.</p> <p>We have therefore raised a new recommendation in 2021/22, based on our findings and the new process. We consider this recommendation is superseded.</p>

# C. 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 identified misstatements we anticipate management adjusting

The table below provides details of adjustments identified during the 2021/22 audit which we expect management to have made within the final set of financial statements. As management did not provide us with updated financial statements until 30 November 2024, and have not provided us with a full set of supporting information, we have not been able to complete our final checks on those updated statements. This has resulted in a modification of our audit report. The information presented here is for the information of the Audit & Standards Committee, so that you can consider the adjustments made in the financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<b>Highly material error in the Council's income and expenditure</b>		
As discussed elsewhere in this report, the reports used to prepare the CIES had been set up incorrectly, the effect of which was to overstate both gross expenditure and gross income within the financial statements by highly material amounts. Net Expenditure was not impacted.		
Correcting this has the following impact:		
Dr Gross income	43,502	
Cr Gross expenditure	(43,502)	
<b>Asset impaired for known structural issues</b>		
During the 2023/24 year, management became aware of structural issues with one of the Council's assets under construction. As the 2021/22 financial statements had not been signed, and this was information about the condition of the building at 31 March 2022, an adjustment should be made to the 2021/22 financial statements to reflect the reduced value of this asset.		
This adjustment has the following impact:		
Dr Valuation movements in CIES		1,620
Cr Assets under construction		(1,620)
continued over page		

# C. Audit Adjustments

## Impact of identified misstatements we anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<b>Accounting for Sherbourne Recycling Facility</b>		
The draft financial statements included incorrect financial reporting in relation to the Council's investment in the mixed recycling facility at Sherbourne. This was initially included in the accounts as an Asset Under Construction, but is not the Council's asset.		
Correcting this accounting should have the following impact:		
Dr Long term debtors		2,298
Dr Expenditure	349	
Cr Assets under construction		(2,647)
<b>Accounting for Housing Benefits overpayments</b>		
During work performed to address our audit queries in relation to Debtors, Creditors and Financial Instruments, management identified that HB overpayments were incorrectly mapped to the CIES instead of to debtors (as amounts that are owed back to the Council).		
Correcting this error would have the following impact:		
Dr Debtors		311
Cr Expenditure	(311)	
<b>Adjustment relating to the last payment run of the year</b>		
The Council made a BACS payment run at the end of March 2022 which did not clear the Council's bank account until April 2022. As a timing difference between the bank records and the Council's records, we would expect this item to appear as a reconciling item on the Council's bank reconciliation at year-end.		
Instead management included the balance as a negative 'prepayment' within the Debtors balance.		
Correcting the Council's treatment of this balance should have the following impact:		
Dr Debtors		3,317
Cr Cash		(3,317)

continued over page

# C. Audit Adjustments

## Impact of identified misstatements we anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<b>Treatment of income suspense accounts</b>		
The Council has a small number of income suspense accounts within the general ledger, where income is coded if cash is received but it is initially unclear what the payment relates to. These balances are reviewed and allocated against actual debtor balances regularly.		
In the draft financial statements, these ledger balances were included within the Council's cash, reducing the balance in the financial statements. However, these items should not be reducing cash, as the cash has actually been received, even if it is unclear what debtor balances it relates to. We consider that it would be more correct to reduce debtors.		
Dr Cash		120
Cr Debtors		(120)
<b>Legacy cash balances from the previous general ledger</b>		
Testing of the Council's bank reconciliation, and agreeing the bank account balances to confirmations received from the Council's banking counterparties, we identified accounts included within 'cash' in the financial statements that had no substance behind them and were historic balances rolled forward from the old general ledger.		
Removing these balances from the accounts will have the following impact:		
Dr Expenditure	735	
Cr Cash		(735)
<b>Misallocation of grants received in advance within the balance sheet</b>		
Testing of creditors identified an item with a value of £2,078k that was incorrectly classified as a creditor. This item should instead be recognised within the 'capital external grants/contributions in advance' balance on the Balance Sheet.		
Dr Creditors		2,078
Cr Receipts in advance		(2,078)
continued over page		



# C. Audit Adjustments

## Impact of identified misstatements we anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
<b>Triennial valuation of the Warwickshire Pension Fund</b>		
The results of the 2022 triennial review provided better information about the pension fund at 31 March 2022 than had initially been used in the draft financial statements (which were based on the rolled forward results of the 2019 valuation). Management commissioned a revised IAS19 report from their actuary, which has resulted in a material adjustment:		
Dr Actuarial movements in Other Comprehensive Expenditure	2,748	
Cr Pension liability		(2,552)
Cr Pension asset		(196)
<b>Overall impact</b>	<b>£3,521k</b>	<b>(£3,521k)</b>

# C. Audit Adjustments

## Misclassification and disclosure changes identified

The table below provides details of misclassification and disclosure changes identified during the audit which, unless otherwise stated, we anticipate management adjusting in the final set of financial statements. As management did not provide us with updated financial statements until 30 November 2024, and have not provided us with a full set of supporting information, we have not been able to complete our final checks on those updated statements. This has resulted in a modification of our audit report. The information presented here is for the information of the Audit & Standards Committee, so that you can consider the adjustments made in the financial statements.

Disclosure	Detail
Note 2 – Standards that have been issued but have not yet been adopted	The draft financial statements included accounting standards in this note that would not have a material impact on the financial statements and therefore did not require disclosure. Management agreed to remove these.
Note 3 – Critical judgements in applying accounting policies	The disclosure included in the draft financial statements included items that we do not consider to be critical judgements, and are largely either repetition of the Council's accounting policies, or items that would not have a material impact on the financial statements. Management agreed to amend for some of these items, but not all.
Note 4 – Assumptions made about the future and other major sources of estimation uncertainty	The disclosures made in the draft financial statements are not compliant with the requirements of the accounting standards. The narrative should refer to specific inputs within the calculations of the Council's estimates, and the potential change in those specific inputs over the course of the next 12 months. Management have declined to amend this disclosure.
Note 8 - Expenditure and income analysed by nature Note 34 – Grant income	<p>Testing of the Council's grant income identified two items which were incorrectly shown in Note 34 as income recognised in year. Grant income in the disclosure note is therefore overstated. Our testing identified a factual error of £2,479k, and this extrapolates to a potential total overstatement of grant income in Note 34 of £2,737k.</p> <p>Government grants and contributions within Note 8 should be adjusted by a corresponding amount, to remain consistent with Note 34. The fees and charges shown in Note 8 should then be increased to offset this movement, as this figure was calculated as a balancing figure by the Council, and total income should not change.</p> <p>We are satisfied that this is a disclosure-only issue, and is not reflective of the underlying accounting for these grants, the element of these items that relates to future years has been correctly recognised within the 'capital external grants/contributions in advance' balance in the Balance Sheet, and has not been recognised in the CIES.</p>
Note 14 – Property, plant and equipment	<p>We noted that there were a significant number of assets held at £nil net book value in the Council's equipment balances. Testing identified that a number of these were no longer owned and used by the Council. Management completed a review of these balances, and proposed an amendment of the accounts to remove £5m of these assets.</p> <p>We do not have sufficient, appropriate assurance that these disposals occurred during the 2021/22 financial year, rather than in an earlier year. Due to the issues with the Council's capital records more generally, we do not consider that further work on this adjustment would have given us any assurance over the assets in the financial statements.</p>

# C. Audit Adjustments

## Misclassification and disclosure changes (continued)

Disclosure	Detail
Note 14 – Capital commitments	The Council has not provided us with supporting evidence for the HRA capital commitments disclosed in Note 14. We have been informed by management that the disclosure is based on the budgets for HRA projects for the 2022/23 financial year, but this is not necessarily the same as amounts contractually committed. We do not have assurance over this disclosure.
Note 14 – Infrastructure	A Statutory Instrument was enacted on 25 December 2022 that removed the requirement to include the gross book value and accumulated depreciation disclosures for infrastructure assets for open sets of financial statements.
Note 20 – Debtors for local taxation	In the audit team's view, the link between Note 19 (Debtors) and Note 20 (Debtors for local taxation) was not clear in the draft financial statements. Management have agreed to add narrative to Note 20 to explain that the balances included relate to multiple entities and not just the Council.
Note 23 – Provisions	<p>Management's working papers do not contain enough information for the various movements in the provision during the year to be determined on a gross basis. Only the net movement from opening to closing balances can be agreed.</p> <p>In addition, no information is included in the working papers to agree the split of long-term and short-term provisions. We are satisfied that this does not give rise to a potential material misstatement of the disclosure note, but we do not have assurance that the movements disclosed are correct.</p>
Note 17 – Financial instruments	Significant changes are required to the financial instruments disclosures following errors and issues identified elsewhere in the accounts, as errors in the balances for debtors, creditors and cash will all impact on these disclosures.
Note 30 – Officers' remuneration	The £201k exit package included in Note 31 related to the Deputy Chief Executive and should have been included in Note 30. Per the requirements of the Code and the regulations, compensation for loss of employment is an element of remuneration.
Note 35 – Related party transactions	<p>We note that the Council has made a highly material loan to a related party (Crewe Lane, Joint Venture of Milverton Homes) during the year. The Related Party Transactions note in the draft financial statements does not disclose this loan, and we would expect it to do so.</p> <p>In the draft accounts this is disclosed in the group accounts, but as these are no longer considered necessary following audit challenge, this information should be disclosed in the Council's single entity accounts.</p>
Note 36 – Capital Expenditure and Capital Financing	This note initially included a value of £244k in respect of Minimum Revenue Provision. The figure supported by the Council's working paper is £344k.
Narrative Report	A number of amendments were agreed with Officers to ensure that the report reflected the draft financial statements and was factually correct. As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.
Annual Governance Statement	The Annual Governance Statement in the draft financial statements did not include all information needed to meet requirements. As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

# C. Audit Adjustments

## Impact of identified misstatements we do not anticipate management adjusting

The table below provides details of misclassification and disclosure changes identified during the audit which we do not anticipate management adjusting in the final set of financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of all items not adjusted in the financial statements, and this is included in the Letter of Representation requested.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting								
<b>Extrapolated error noted in testing of Trade Payables</b> As part of our trade payables testing, we identified errors on 2 sampled creditor balances leading to a net £50,913 understatement. We have extrapolated this error rate across the total trade payables population which has resulted in a total estimated error of £99,294. Correcting this error would have the following impact on the financial statements: <table> <tr> <td>Dr Expenditure</td><td>99</td><td></td><td></td></tr> <tr> <td>Cr Creditors</td><td></td><td>[99]</td><td></td></tr> </table>	Dr Expenditure	99			Cr Creditors		[99]				Immaterial extrapolation
Dr Expenditure	99										
Cr Creditors		[99]									
<b>Errors noted in Business Rates Creditors</b> Testing of the Council's collection fund related creditors has identified that the Council used incorrect inputs into the calculation of the Business Rates Safety Net/Levy calculation at year end. This led to an error in the amount that the Council owed. Correcting this error would have the following impact on the financial statements: <table> <tr> <td>Dr Creditors</td><td></td><td>424</td><td></td></tr> <tr> <td>Cr Expenditure</td><td>[424]</td><td></td><td></td></tr> </table>	Dr Creditors		424		Cr Expenditure	[424]					Immaterial
Dr Creditors		424									
Cr Expenditure	[424]										
<b>Settlement of a legal case since year-end</b> An issue which is included in the Council's Contingent Liabilities disclosure was settled since the end of the financial year. Under IAS 10, the settlement of a legal case is an example of an adjusting event after the reporting period, as it gives information about an obligation that existed at the balance sheet date. Adjusting for this settlement would have the following impact on the financial statements: <table> <tr> <td>Dr Expenditure</td><td>150</td><td></td><td></td></tr> <tr> <td>Cr Provisions</td><td></td><td>[150]</td><td></td></tr> </table>	Dr Expenditure	150			Cr Provisions		[150]				Immaterial
Dr Expenditure	150										
Cr Provisions		[150]									

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# C. Audit Adjustments

## Impact of identified misstatements we do not anticipate management adjusting (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting								
<b>Provisions for Business Rates Appeals</b> As discussed earlier in this report, the Council's provision for Business Rates appeals includes a material balance for potential appeals that are not already in the Check, Challenge and Appeal process. This balance was calculated as 4.7% of projected 2022/23 NDR income. Our view is that it is not appropriate to calculate a provision based on income not yet earned - it should instead have been calculated based on elements of historic income. Correcting this error would have the following impact on the financial statements: <table> <tr> <td>Dr Provisions</td><td></td><td>107</td><td></td></tr> <tr> <td>Cr Expenditure</td><td>(107)</td><td></td><td></td></tr> </table>	Dr Provisions		107		Cr Expenditure	(107)					Immaterial estimate
Dr Provisions		107									
Cr Expenditure	(107)										
<b>Error noted by the Pension Fund audit team</b> We note that the auditor of the Warwickshire Pension Fund identified an understatement in the valuation of the Fund's assets in the course of their audit procedures. The auditor reported at total understatement of the Fund's assets of £13.6m. The Council's share of this total estimated error is approximately £816k. Adjusting this in the Council's financial statements would have the following impact: <table> <tr> <td>Dr Pension Assets</td><td></td><td>816</td><td></td></tr> <tr> <td>Cr Actuarial movements within Other Comprehensive Income</td><td>(816)</td><td></td><td></td></tr> </table>	Dr Pension Assets		816		Cr Actuarial movements within Other Comprehensive Income	(816)					Immaterial estimate
Dr Pension Assets		816									
Cr Actuarial movements within Other Comprehensive Income	(816)										
<b>Under-accrual of income</b> Testing of a key item of income in the period immediately after the financial year-end identified an item of accrued income that had been omitted from the financial statements. Other errors were identified from this testing, but we are satisfied that the impact of these would have been trivial to the accounts. Correcting the non-trivial item identified would have the following impact on the financial statements: <table> <tr> <td>Dr Debtors</td><td></td><td>215</td><td></td></tr> <tr> <td>Cr Investment income</td><td>(215)</td><td></td><td></td></tr> </table>	Dr Debtors		215		Cr Investment income	(215)					Immaterial
Dr Debtors		215									
Cr Investment income	(215)										
<b>Overall impact</b>	<b>(£1,313k)</b>	<b>£1,313k</b>									

# C. Audit Adjustments

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
<b>Property Plant and Equipment</b> The value of Property Plant and Equipment at 31 March 2021 was £89k less than the value of assets per the underlying fixed asset register. Correcting this disagreement during 2021/22 would have had an impact on the 2021/22 financial statements, but we cannot identify the exact adjustment required to the CIES. Dr Property Plant and Equipment Cr CIES We also note that we have modified our audit report in relation to these balances in 2021/22.	[89]	89	Immaterial
<b>Overall impact</b>	<b>(£89k)</b>	<b>£89k</b>	

# D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	73,140	169,141
<b>Total audit fees (excluding VAT)</b>	<b>£73,140</b>	<b>£169,141</b>

Details of variations in final fees from the proposed fee are detailed on the next slide.

Non-audit fees for other services	Final fee
<b>Audit Related Services</b>	
Housing Benefit subsidy certification 2020/21 (May 2021 – January 2022)	20,000
Certification of Pooling of Housing Capital Receipts 2020/21 (January 2022)	2,300
Housing Benefit subsidy certification 2021/22 (May 2022 – May 2023)	22,600
Certification of Pooling of Housing Capital Receipts 2021/22 (January 2023 to date)	7,500 (to be confirmed)
Housing Benefit subsidy certification 2022/23 (Not yet commenced)	24,600 (to be confirmed)
Certification of Pooling of Housing Capital Receipts 2022/23 (Not yet commenced)	10,000 (to be confirmed)
<b>Total non-audit fees (excluding VAT)</b>	<b>£87,000</b>



# D. Fees

Audit fees	Final fee
Scale Fee as determined by PSAA	44,290
Additional work in relation to the net pension liability as a result of challenges from the FRC	688
Additional work in relation to the property, plant and equipment revaluations as a result of challenges from the FRC	688
Additional work due to the additional challenges raised by the FRC	3,125
Additional work in relation to our journals tested as a result of challenges from the FRC	3,000
Additional work due to the changes in ISA 540	2,100
Value for Money audit	10,000
Additional work in relation to the adjustments made to the net pension liability resulting from the triennial valuation	6,000
Additional work in relation to the consideration of the need for group accounts	3,500
Additional work in relation to Infrastructure Assets	2,500
Additional work in relation to the implementation of the new general ledger	12,000
Additional work due to errors the quality of the draft financial statements and issues faced	42,500
Additional work resulting from the issues with the Council's capital records and fixed asset register	38,750
<b>Total audit fees (excluding VAT)</b>	<b>£169,141</b>

# E. Management Letter of Representation

Dear Sirs

**Warwick District Council**  
**Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the 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 2021/22 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 financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("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. Such accounting estimates include the valuation of the Council's net pension liability, and the valuation of the Council's land and building assets. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. 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.

- vii. 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.
- 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. The financial statements have been amended for these misstatements, misclassifications and disclosure changes.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are 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 have updated our going concern assessment. We continue to believe that the financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a. the nature of the Council means that, notwithstanding any intention to cease the Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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.

# E. Management Letter of Representation

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

## Information Provided

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, with the exception of the items listed in representation xxvi;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

- xxvi. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 2021/22 by the statutory backstop date. This includes information relevant to the Council's capital assets and capital accounting, as well as elements of supporting working papers relevant to the preparation of Council's updated financial statements

## Annual Governance Statement

- xxvii. 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

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

## Approval

The approval of this letter of representation was minuted by the Council's Audit & Standards Committee at its meeting on 12 December 2024.

# F. Disclaimer of Audit opinion

Independent auditor's report to the members of Warwick District Council

## Report on the Audit of the Financial Statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Warwick District Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, and notes to the financial statements, including a summary of significant accounting policies. 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 2021/22.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2022 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

The Authority provided us with a final draft of the financial statements on 30 November 2024, but did not provide all required supporting working papers. As such, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2022 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, we have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's capital asset records are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2022 by the backstop date.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' 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.

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

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether 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 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 Head of Finance and Those Charged with Governance for the financial statements

As explained in the Council's Responsibilities set out on page 26, 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 Head of Finance. The Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# F. Disclaimer of Audit opinion

In preparing the financial statements, the Head 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 & Standards 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 responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter, except on 27 August 2024 we identified a significant weakness in the Authority's arrangements to monitor and manage its financial sustainability. During 2021/22 the Authority implemented a new general ledger system. The draft financial statements for the 2021/22 year, the first prepared using the new system, contained a large

number of significant errors, including capital issues which have not been resolved. We recommended that the Authority:

- ensures that its finance team is sufficiently resourced, with appropriate skills, to ensure that the issues that delayed the completion of the 2021/22 financial statements audit are resolved; and
- prepares timely, high quality financial statements for later years, supported by appropriate reports and working papers to enable audits to proceed with minimal issues.

## 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 issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Warwick District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.





## Appendix 3 – Audit Findings Report Management Responses

(see pages 24-27 of Appendix 2 for Issues, Risks and Recommendations)

1. Officers need to ensure that the closedown and accounts production timetable includes sufficient time for robust quality assurance procedures

### Management Response

Appropriate levels of review will be built into year-end process going forward to ensure mapping issues do not reoccur. In addition, the formal extension of the timetable by which the draft statement of accounts have to be published (moving from 31 May to 30 June), will offer the additional time required to complete the necessary checks.

2. The Council should review the access of its employees and rectify the issue where necessary

### Management Response

Given the small size of the Finance teams, there will be some members of staff who will have admin rights and also be expected to undertake operational roles. To minimise risk, many processes require sign off from a separate individual from the requester / originator. However, access rights will be reviewed on a regular basis to ensure that they remain appropriate.

3. Officers need to ensure that the full cash balance, and any investment balances, are reviewed regularly to ensure that records are accurate. Formal bank reconciliations should be completed on a monthly basis as a minimum, and these reconciliations should be documented and retained. Suspense accounts should, where possible, be cleared at each month-end.

### Management Response

The CIA system has an automated bank reconciliation module that clears and reconciles between the bank statements and ledger on a daily basis. This has been checked periodically to identify any miscoding, and recently a daily report has been set up to show where the manual postings within bank rec have been coded. As part of preparing 'Note 21 – Cash & Cash Equivalents' a full reconciliation is done to identify any corrections needed between the statement balances and the ledger balances, and provide the rationale for any remaining differences.

It is expected that the full benefits of the new system would have been realised for the 2022/23 Statement of Accounts, due to the migration to the new Financial Management System taking place mid-year in 2021/22.



However, as this audit did not take place, we expect the benefits to show effect when the next audit is completed.

4. Officers should improve their understanding of the reporting functionality available to them from the new general ledger in order to obtain appropriate information first time. This will allow the preparation of more accurate financial statements, and will allow future years' audit teams to undertake their work more efficiently.

#### Management Response

Given that this was the first year that the new system was used for closedown, there was the increased risk and likelihood that some processes would take longer than expected, particularly if requests were different from those to achieve the same information in prior audits. As reported to Committee previously, delays in providing relevant information were not helped by delays in the auditors replying to returns provided to them via their audit management portal, Inflo, in a timely manner. The new system was originally set up to produce reports in formats that had previously been deemed sufficient and appropriate by previous audit teams from Grant Thornton for prior years.

Since its implementation in November 2021, the team have significantly improved their understanding of the system, and the Council continues to invest in continuously improving the reporting tools and reports within the system, making use of key contacts and established relationships with staff at Technology 1, and retained in-house knowledge.

5. Officer should improve their understanding of the functionality of the fixed asset module, and ensure that it is following the requirements of the CIPFA Code and relevant accounting standards.

They should also ensure that appropriate levels of information and system reports are retained at each year-end to support the balances and transactions in the financial statements, and to demonstrate that proper accounting principles are being followed.

#### Management Response

Warwick District Council was the first council in the UK to go live with this asset module, and remains the only UK council to be live with a HRA. We have been working closely with Technology One (T1) to make the system more compatible to the CIPFA requirements in the UK, and improve the reporting capabilities of the asset module. There have been issues arising from the initial implementation of the system, without adequate resources being available from T1 or the Council to fully set up and test the system before it went Live, which has resulted in more work to verify transactions to date.

6. We recommend that management maintain AUC records on an asset-by-asset basis where individual assets are identifiable, as opposed to by project as is currently the case. This will also assist management with actioning the recommendation below.

#### Management Response

The T1 system does not record AUC at an asset level, only at a project code level, so manual records would have to be maintained to meet the GT recommendation and there is currently no capacity to do this, particularly for HRA schemes.

7. The Council should complete a formal impairment review with sufficient regularity to ensure that AUC are not held in the Balance Sheet at a materially incorrect value.

#### Management Response

Warwick District Council will consider this recommendation and assess an appropriate level of frequency for review.

8. The Council should look to improve its year-end processes and controls so that items of income and expenditure, both revenue and capital, are included within the correct financial statements.

#### Management Response

The Council will continue to review and improve its processes based upon lessons learned. As this was the first year end closedown in the new system, there was the increased risk that some controls may not be as robust as required. Many of the issues highlighted in the first closedown have now been addressed, and the Council will continue to invest in refining processes to deliver greater accuracy, efficiency and assurance.

9. The Council should review this policy sufficiently regularly to ensure that there is no risk that material amounts and balances are omitted from the financial statements.

#### Management Response

The Council does review its de minimis threshold limits for income and expenditure on an annual basis, ahead of the Year end guidance being published and training sessions held in February-March of each year. Given the levels of inflation seen since this policy was introduced, we are seeing an increasing number of transactions above this threshold, and therefore it is less likely that material amounts and balances are omitted. We also

work closely with service areas to ensure that invoices and purchase orders are raised in a timely manner to reduce the requirement of the policy.

10. The Council needs to put in place arrangements to ensure that all assets are revalued sufficiently regularly to comply with its accounting policy and the requirements of the Code.

#### Management Response

For 2022/23 the Council commissioned a full valuation of General Fund assets, in addition to the annual ones for the HRA and Investment Properties, that included visiting key and sample properties. This was part of establishing a revised 'tranche' and sample basis for General Fund properties for the subsequent 4 years. However, given that audit assurance on property, plant and equipment (PPE) hasn't been possible in recent years, the Council's external valuers are undertaking another full valuation at 31 March 2025, to give assurance for the 2024/25 Accounts.

11. The Council should put in place arrangements to ensure that, where assets are required to be held at fair value, those assets are revalued at each balance sheet date.

#### Management Response

Surplus Assets are now being valued annually as part of the Investment Property valuations undertaken by the Council's external valuers.

12. The Council should ensure that both Members and Officers are aware of the importance of making declarations, irrespective of whether they anticipate the Council having transactions with those organisations.

Additional controls should be established to ensure that obvious omissions are identified by the Council.

#### Management Response

Members and Officers are reminded annually on the importance of making declarations, and this will be reinforced ahead of year end at both briefing sessions and through Full Council.

Warwick District Council will look at implementing further checks on the returns to ensure that all obvious interests are declared.

13. Officers should review the reporting available in relation to Council Tax and Business Rates reliefs and discounts, and determine how best to obtain this information going forward.

Management Response

Management to review the process and establish how this information can be obtained going forward.

14. Management should formally review their approach to calculating this provision, to ensure that it is being calculated using the best available information for potential appeals from businesses within Warwick District.

Management Response

The approach has already been amended to make better use of the data provided by Analyse Local to ensure the provision is of more relevance to Warwick District Council.

15. Management should review the reporting functionality of the new general ledger to identify a way to report on, and therefore appropriately monitor and manage its creditor and debtor balances.

Management Response

Officers now have a greater understanding of the finance system and the reporting functionality within it. Reports will also be run at set points during the closedown process to ensure that appropriate snapshots of the final position, including creditor and debtor balances at a given day, in particular 31 March, can be captured.



**Financial Services**  
**Andrew Rollins – Head of Service**

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**our ref:** Audit 2021/2022

12 December 2024

Dear Sirs

**Warwick District Council**  
**Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the 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 2021/22 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 financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("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. Such accounting estimates include

the valuation of the Council's net pension liability, and the valuation of the Council's land and building assets. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. 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.
- vii. 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.
- 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. The financial statements have been amended for these misstatements, misclassifications and disclosure changes.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are 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 have updated our going concern assessment. We continue to believe that the financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the Council means that, notwithstanding any intention to cease the Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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.

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

### **Information Provided**

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, with the exception of the items listed in representation xxvi;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
- xxi. 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.
- xxii. 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.



- xxiii. 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.
- xxiv. 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.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xxvi. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2021/22 of 13 December 2024. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 2021/22 by the statutory backstop date. This includes information relevant to the Council's capital assets and capital accounting, as well as elements of supporting working papers relevant to the preparation of Council's updated financial statements

### Annual Governance Statement

- xxvii. 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

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

### Approval

The approval of this letter of representation was minuted by the Council's Audit & Standards Committee at its meeting on 12 December 2024.

Yours sincerely

Andrew Rollins  
Head of Finance



Warwick District  
Council - Audit Find

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of Warwick District Council**

# Statement of Accounts

# 2022/23

## and **Annual Governance Statement**



[www.warwickdc.gov.uk](http://www.warwickdc.gov.uk)

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**Andrew Rollins, ACMA, CGMA**  
Head of Finance



# Narrative Report

## Message from the Head of Finance

### Andrew Rollins

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 2022/23
- 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 secure.

Legislation requires that an authority's draft accounts be completed by 31 May following the year end, and an audited Statement of Accounts submitted to the appropriate body for approval by 30 September. 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 following the draft publication.

The decision was made to delay the publication of the unaudited 2022/23 Statement of Accounts 2022/23, driven by a combination of factors comprising the following:

- Delays in the completion of the Audited Accounts for 2021/22 and resolving outstanding issues which would impact upon the approach and information contained within the 2022/23 Statement of Accounts

- Delays in the receipt of critical information from our external valuers.
- Integration issues with importing data from external sources, including the external valuers, into the Finance System.

The delay was notified through the publication of a notice in accordance with The Accounts and Audit Regulations 2015 – Regulation 15, as amended by The Accounts and Audit (Amendment) Regulations 2021 and by The Accounts and Audit (Amendment) Regulations 2022.

In order to clear the backlog of unaudited accounts up to and including financial year 2022/23, the Government has introduced backstop dates by which authorities need to publish audited accounts. The backstop date for 2022/23 has been set at 13 December 2024 and will enable the Council to begin focusing on more recent accounts where assurance is most valuable and relevant to support strategic decision making.

The Narrative Report provides information about Warwick District Council, its main objectives and strategies, and the principal risks that it faces. It demonstrates 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 as of 31 March 2023.

The financial environment remains challenging with new and emerging pressures that continue to affect the Council's income streams. The Council's officers have continued to provide additional financial support to the residents and businesses in the form of grants,

reliefs and energy rebates. Whilst the impact of Covid appears to be subsiding, the focus has shifted to the significant increase in inflation and fuel costs, which affects the residents and impacts on Council resources.

During 2022/23, the Council faced increased costs driven by inflation levels significantly exceeding the forecasts built into the budget. At the time the budget was set in February 2022, CPI was 6.2%. During 2022/23, inflation levels continued to rise and peaked in November 2022 at 10.7% before finishing the financial year at 10.1% in March 2023.

Despite the volatile economic environment, the Council has continued to deliver the Medium-Term Financial Strategy, focusing on maintaining quality services for its residents. High inflation is anticipated to continue into 2023/24 and will have a long-term impact on the finances of the Council. The Council will continue to monitor its performance, reporting on a quarterly basis to the Cabinet and Council, and if necessary, revise its Medium-Term Financial Strategy (MTFS) to reflect the impact of the economic and social environment and any changing strategic objectives following the District Council Elections in May 2023.





# Key facts about the District

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 (137,700 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 several villages, many of which are Green Belt. Warwick 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 excellent road and rail 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 also excellent rail services to the rest of the West Midlands and London.

Warwick 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 it is above national/regional averages. The population grew over the ten years from 2011 to 2021 by over 7.8%, increased by a greater percentage than the overall population of the West Midlands (6.2%) and by a greater percentage than the overall population of England (up 6.6% since the 2011 Census).

From the National Grid and UK Battery Industrialisation Centre to the thriving Computer Games Industry, the District is home to a high concentration of leading UK businesses as well as being a magnet for talent, innovation and creativity. With over 2,500 employees across 83 studios, Silicon Spa (anchored in Leamington) is the third largest games cluster in the UK.

The District has a reputation for attracting major international sporting events as an official venue for the Birmingham 2022 Commonwealth Games, with Victoria Park in Leamington Spa playing host to the Lawn Bowls and Para Lawn Bowls competitions and the men's and women's Cycle Road races starting and finishing in Warwick, which attracted more than 5000 visitors a day from around the world.



# Political Structure

At 31 March 2023, Warwick District had 17 wards, and the Council consisted of 44 Councillors. The political make up of the Council is shown below.



The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Cabinet has responsibility for the allocation of Portfolios and the delegation of Cabinet Functions. Cabinet members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2022/23, including the setting of a balanced budget for 2022/23, has been undertaken by either the Finance and Audit Scrutiny Committee or Overview and Scrutiny Committee.

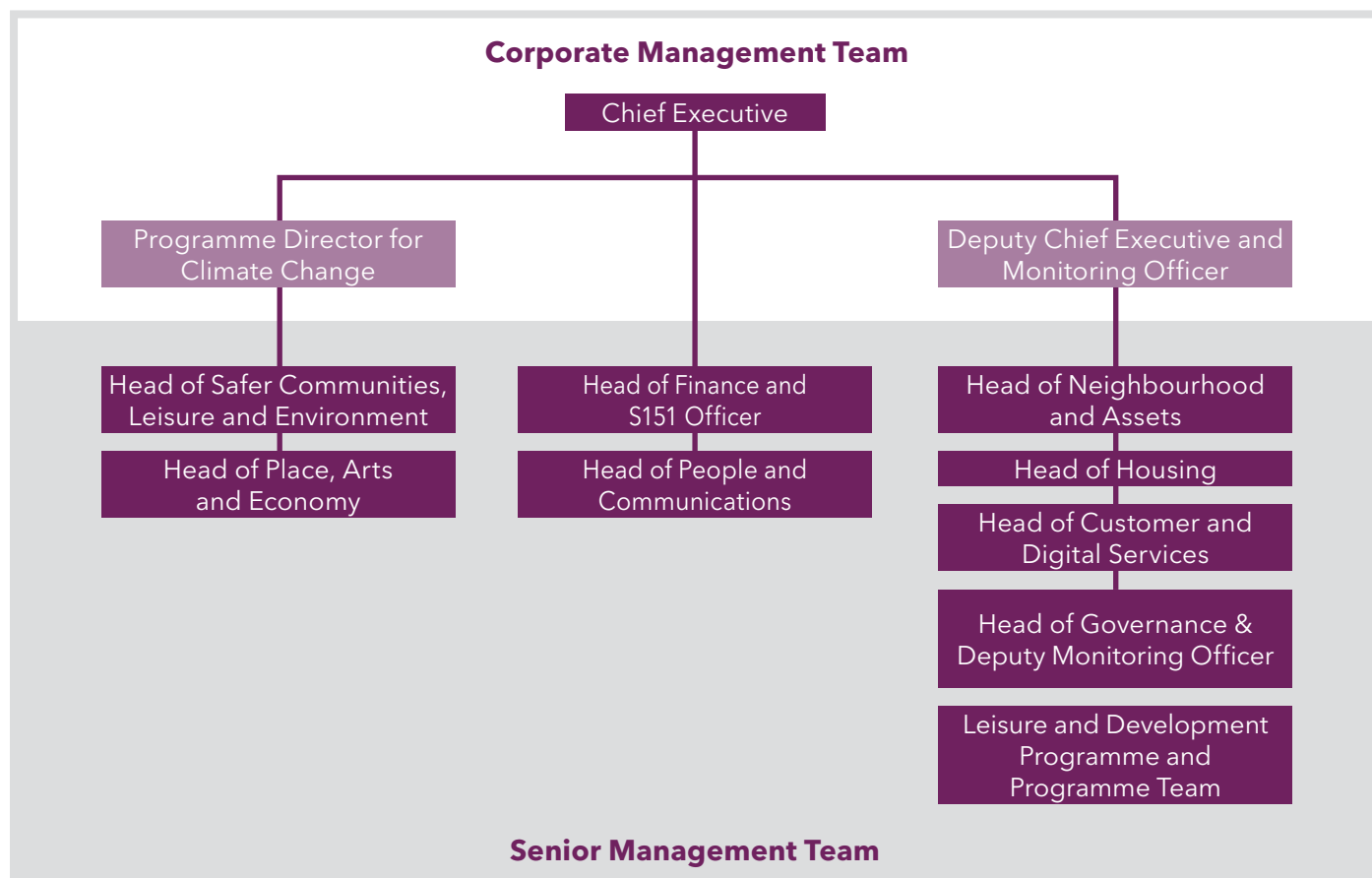
## Warwick District Council Key Information

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 Cabinet (the Council's main decision making body) and officers of the Council.



# Management Structure

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



During 2022/23, the Corporate Management Team comprised the Chief Executive, a Programme Director for Climate Change and a Deputy Chief Executive. The Deputy Chief Executive also performed the duties of the Monitoring Officer.

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 and directing improvement and future plans for Warwick District. It provides managerial

leadership and supports Councillors in:

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

Supporting the Corporate Management Team is the Senior Management Team, which consists of nine Heads of Service, as shown in the diagram above. This Management Structure was implemented on 12 May 2022 following the recommendation from the Leaders of both Warwick District Council and Stratford upon Avon District Council to withdraw the request to merge and create a South Warwickshire District Council.

# Council Employees

The full time equivalent number of staff employed by the Council in April 2022 was 439.51. This increased over the year to 442.17 at the end of March 2023, including six apprentices, with 5 new Apprentices started in the year 22/23.

The Council is an Equal Opportunities employer that welcomes applications from all and uses a fair and open selection process based on knowledge, experience, skills, and behaviour with the aim of recruiting the best person for the job.

Warwick District Council promotes an environment that offers opportunities to all staff. The Council is committed to training and development, 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.

## Our Vision

The Council's Vision is to make Warwick District "a Great Place to Live, Work and Visit", underpinned by the Fit for the Future Strategy, setting out the Council's internal and external aims against three key strands.

The Council's latest Service Area Plans set out the delivery of these strands.

Visit the Warwick District Council website for more information on the updated Fit For Future Strategy and the 2022/23 service area plans.

FIT FOR FUTURE STRANDS		
PEOPLE	SERVICES	MONEY
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Improved health for all</li> <li>Housing needs for all met</li> <li>Impressive cultural and sports activities</li> <li>Cohesive and active communities</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Becoming a net-zero carbon organisation by 2025</li> <li>Total carbon emissions within Warwick District are as close to zero as possible by 2030</li> <li>Area has well looked after public spaces</li> <li>All communities have access to decent open space</li> <li>Improved air quality</li> <li>Low levels of crime and ASB</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Dynamic and diverse local economy</li> <li>Vibrant town centres</li> <li>Improved performance/ productivity of local economy</li> <li>Increased employment and income levels</li> </ul>
Internal		
Effective Staff	Maintain or Improve Services	Financial Footing over the Longer Term
<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>All staff are properly trained</li> <li>All staff have the appropriate tools</li> <li>All staff are engaged, empowered and supported</li> <li>The right people are in the right job with the right skills and right behaviours</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Focusing on customers' needs</li> <li>Continuously improve processes</li> <li>Increase the digital provision of service</li> </ul>	<b>Intended outcomes:</b> <ul style="list-style-type: none"> <li>Better return/use of assets</li> <li>Full cost accounting</li> <li>Continued cost management</li> <li>Maximise income earning opportunities</li> <li>Seek best value for money</li> </ul>



# Our Values

Our values are at the heart of everything the Council does, and they underpin what is important to the Council and how all service areas work together:



## HONESTY AND OPENNESS

The Council will be truthful and transparent about how the organisation is run.



## VALUE FOR MONEY

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



## ENVIRONMENTALLY SENSITIVE

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



## COMMUNITY FOCUSED

The Council puts the needs and aspirations of local communities to the fore. Working flexibly and collaboratively as one Council and with others in response.



## FAIRNESS AND EQUALITY

Warwick District Council values all citizens, and the Council's work is carried out without bias or prejudice.

# Our Services

The Council provides valuable and accessible services for the community, which helps to promote Warwick District as a great place to live, work and visit, and these include:

## FINANCE

- Accountancy
- Audit and Risk
- Procurement
- Revenue

## CUSTOMER & DIGITAL SERVICES

- ICT
- Benefits & Customer Services
- Application Support
- GIS
- Helpdesk & Technical Support
- Infrastructure Services

## PEOPLE & COMMUNICATIONS

- People
- Learning & Development
- Marketing & Communications

## PLACE, ARTS AND ECONOMY

- Economic Development & Regeneration
- Enterprise
- Events & Markets
- Arts & Culture
- Tourism

## SAFER COMMUNITIES, LEISURE & ENVIRONMENT

- Environmental Health & Licencing
- Community Safety
- Emergency Planning
- Green Spaces
- Sports & Leisure
- Play Areas

## NEIGHBOURHOOD & ASSETS

- Compliance Repairs & Maintenance Facilities
- Technical Surveying & Contractors
- Building Surveying
- Internal Health & Safety
- Bereavement Services
- Public Conveniences
- Off street Car Parking & Rangers
- Refuse & Recycling Collections
- Street Cleansing,
- Grounds Maintenance

## HOUSING

- Community Health & Wellbeing
- Housing Needs
- Landlord Services (less Community Health & Well-being)
- Housing Strategy and Development
- Business Development and Change, within Housing
- Milverton Homes and Joint venture

## STRATEGIC LEADERSHIP

- Corporate Policy
- Strategic Partnerships
- Governance
- Democracy
- Leisure Development Programme
- Programme Team - Development & Delivery of Major public realm projects
- Commonwealth Games

# Resource Strategies

Fit for the Future is supported by four resource strategies (Digital, People, Finance and Asset), which set out how the Council plans to utilise its resources to achieve its objectives:

## DIGITAL STRATEGY

In 2022, the Council will launch a new Digital Strategy built around the delivery of inclusive, valuable, and effective digital services that meet the needs of communities. The Digital Strategy will define the vision for digital services, establish key priorities for the Council's ICT and Digital Teams, and shape how the Council develops and deploys digital technologies across services to ensure the future sustainability and continued achievement of the Council's strategic priorities.

## PEOPLE STRATEGY

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

## MEDIUM TERM FINANCIAL STRATEGY FOR 2022/2023 TO 2026/2027

The Medium Term Financial Strategy (MTFS) was approved by the Council on 23 February 2022. This document sets out the financial framework used to ensure adequate financial resources are available to achieve the Council's objectives and that appropriate action is taken to address significant future challenges.

## ASSET STRATEGY

A new and updated Asset Management Strategy is being developed, which will enable the Council to assess, categorise, and agree on options and interventions for each corporate and commercial assets. This will also assist in meeting the Climate Emergency agenda and the emerging Council Action Plan.

Visit the Warwick District Council website for more information on these strategies.

# Annual Service Area Plans

The Council has thirteen Service Areas - Customer & Digital Services, Deputy Chief Executive, Finance Service, Housing Service, Neighbourhood & Assets, People & Communication, Place Arts & Economy, Safer Communities Leisure & Environment, as well as Climate Directorate Project & Feasibility Study project plan. 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 the Warwick District Council website for further information on the individual 2022/23 service plans.

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

# Financial Overview 2022/23

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.

Revenue resources available to finance the General Fund budget, used to provide services are forecast to be approximately £13.931m by 2025/26. A year by year breakdown is shown in the diagram below:

REVENUE RESOURCES	2022/23 Actual '£000	2023/24 Forecast '£000	2024/25 Forecast '£000	2025/26 Forecast '£000
Revenue Support Grant	7,018	6,719	7,073	2,675
Business Rates	(23)	19	0	0
Collection Fund Balance	2,681	1,079	0	0
New Homes Bonus	0	1,846	0	0
Other Grants and Government Funding	393	134	0	0
Council Tax	9,975	10,199	10,711	11,256
<b>Total Revenue Resources</b>	<b>20,043</b>	<b>19,995</b>	<b>17,784</b>	<b>13,931</b>

The currently approved Medium Term Financial Strategy (MTFS) forecasts a deficit of £2.476m by 2025/26. This position is reliant on delivering a number of ambitious savings proposals agreed December 2020, while also bringing forward further schemes.

Other future changes that are anticipated to have an impact on the Council's finances are:

- Longer Term Local Finance Settlement being agreed by Government
- Economic Changes arising from current World Events.
- 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 customers' needs. The Council will continue to revise its MTFS to reflect future changes, providing updates to Cabinet / Council for approval as necessary.

For 2022/23 the Council approved a net General Fund budget of £9.975m, which resulted in a D Band Council Tax charge of £176.86. There is no increase from previous year.



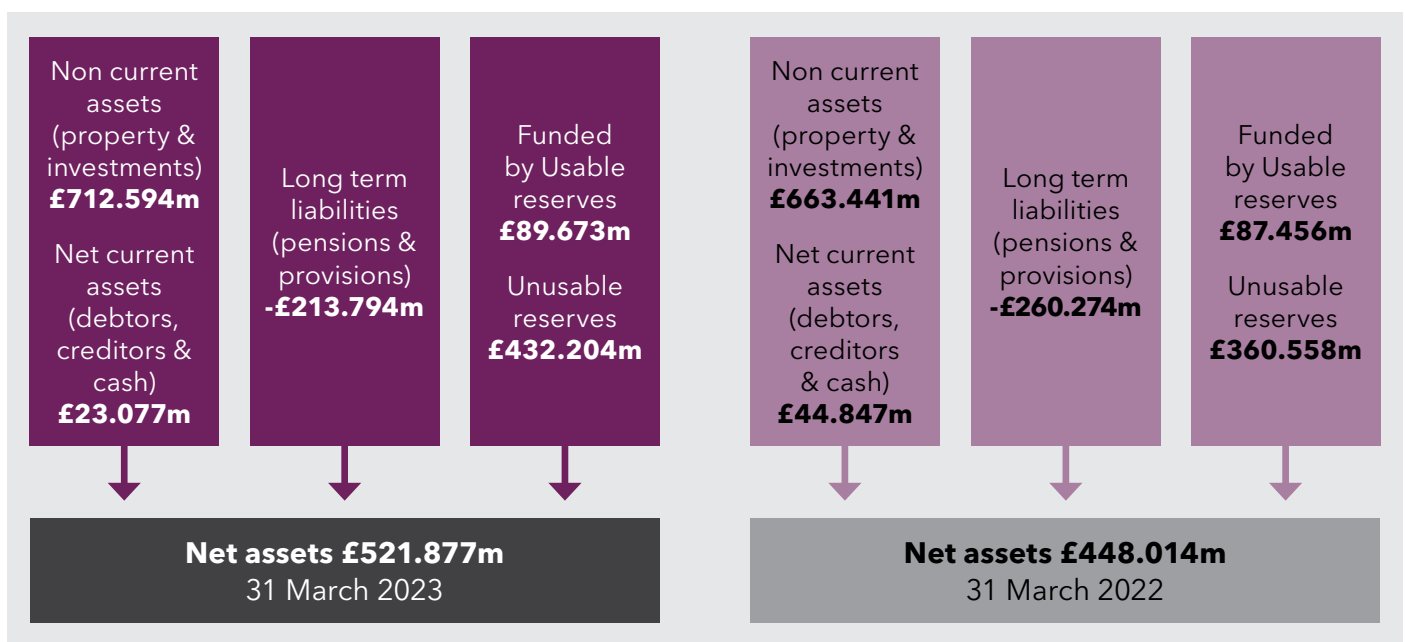
# Financial Overview 2022/23



## DURING THE YEAR, THE COUNCIL:

- Collected over £65.703m of Business Rates and £117.835m of Council Tax, of which £143.537m (78%) is passed onto Central Government and other agencies.
- Managed £14.931m of Investment Property, which generated £0.934m of rental income, which was used to support the provision of services within the District.
- Spent £125.941m (gross expenditure) on Council services.
- Received £52.361m of fees, charges and other service income, and Government grants and other contributions of £41.513m, which were used to deliver Council services.
- Invested surplus cash balances to generate £1.382m of interest received.

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



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 2022/23 is £33.258m, which is £31.758m above the specified minimum amount. £27.519m of this total relates to Earmarked Reserves, which have been set aside for specific purposes.

# Financial Performance 2022/23

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	Budget £000	Actual £000	Variation £000
Neighbourhood & Assets	8,833	10,863	2,030
Safer Communities, Leisure & Environment	9,907	9,635	(272)
Place, Arts & Economy	9,952	9,682	(279)
Finance	9,706	7,183	(2,523)
Housing Services - GF	3,392	2,681	(711)
Customer & Digital Services	757	1,073	316
People and Communication	372	58	(312)
Strategic Leadership	6,330	5,125	(1,205)
<b>Net Revenue Expenditure on Services</b>	<b>49,249</b>	<b>46,300</b>	<b>(2,949)</b>
Housing Services - HRA	308	(568)	(876)
<b>Net Revenue Expenditure on Services</b>	<b>49,557</b>	<b>45,732</b>	<b>(3,825)</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 2,949m, and a HRA surplus of £0.876m, both of which have been allocated to reserves.

## 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 these services is met from rents, service charges and grant funding. In 2022/23 £29.645m of income was received, of which £27.253m related to dwelling rents from 5,514 properties. £29.077m of this was spent on providing revenue services in year, a contribution to the HRA Capital Investment Reserve (CIR) of £0.568m was achieved from operating surpluses, to be used to finance future capital costs.

# Capital Programme 2022/23 to 2026/27

The Council has an ambitious five year capital programme; it is planning to spend £253.25m 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 two new Leisure Centre facilities in Kenilworth, enhancements to the surrounding Leamington Spa area for the Commonwealth Games, a new cycling masterplan at Newbold Comyn and a Country Park at Tachbrook.
- 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 as the development of the Europa Way site and the improvement of Leamington Old Town
- Increasing the number of affordable homes in the District

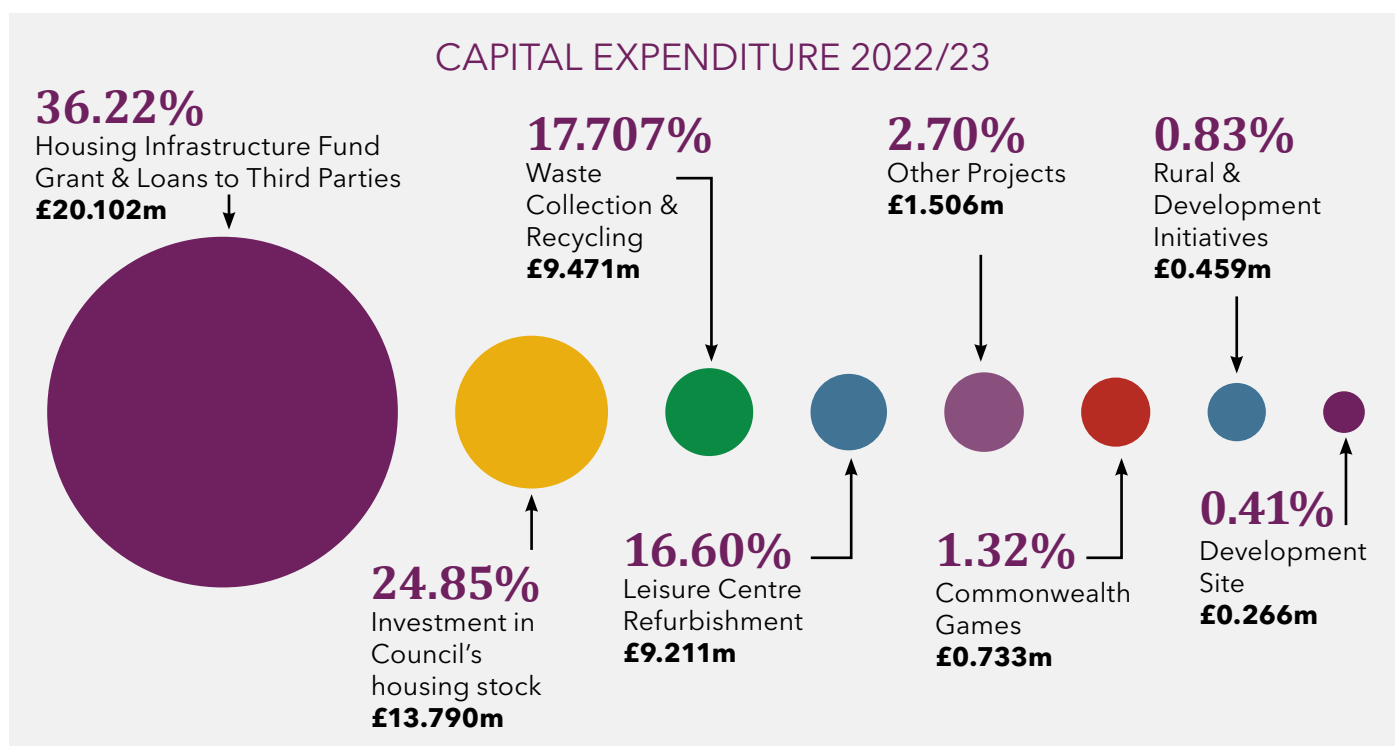
- Improvements to the Council’s existing housing stock

The main sources of funding for these future works are the Right to Buy sales of Council homes to eligible tenants and other usable capital receipts (£21.818m), contributions to capital works from developers (£40.92m), use of the Council’s own resources - either by revenue contributions to capital projects (£0.729m) or the use of earmarked reserves (£69.388m), and borrowing provided the Council can demonstrate that it can afford to service the debt (£120.395m).

The 2022/23 total capital budget of £80.49m was approved at the Council Meeting on 22 March 2022. This was subsequently revised to £83.98m with the addition of re-profiled expenditure from the previous financial year and further approvals in the year. Actual capital expenditure for 2022/23 was £55.498m (£99.180.5m 2021/222). The charts below detail this expenditure and the accompanying financing.



# Capital Programme 2022/23



The expenditure analysis by portfolio, together with explanations of major project variances occurring in 2022/23 is shown in the tables below.

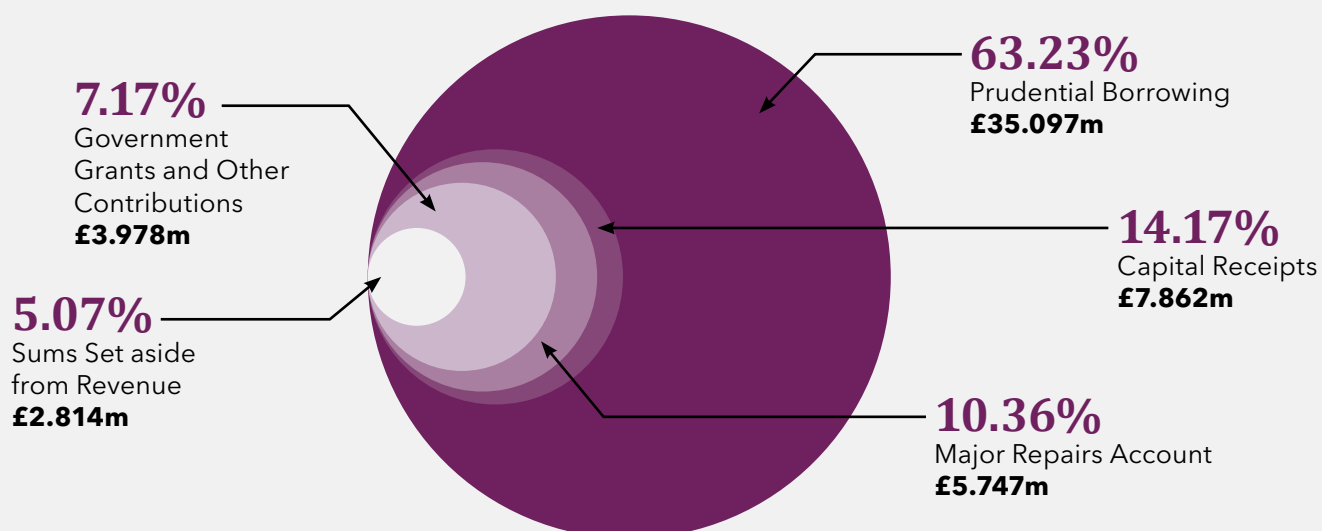
Capital Expenditure 2022/23	Latest Budget £000	Actual £000	Variation £000
Culture, Tourism & Leisure	13,378	10,329	(3,049)
Development Services	14,927	10,221	(4,706)
Finance	140	123	(17)
Community Protection		-	-
Environment & Operations	15,211	10,781	(4,430)
Strategic Leadership	179	28	(151)
<b>Total Other Services Expenditure</b>	<b>43,835</b>	<b>31,482</b>	<b>(12,353)</b>
New Build/Reprovision of Housing	23,630	7,267	(16,364)
Improvements/Renewals	16,670	6,743	(9,928)
<b>Total The Housing Revenue Account (HRA) Related Housing Investment Programme (HIP)</b>	<b>40,301</b>	<b>14,010</b>	<b>(26,292)</b>
<b>TOTAL Capital Expenditure</b>	<b>84,135</b>	<b>45,492</b>	<b>(38,645)</b>

## CAPITAL EXPENDITURE VARIANCES 2022/23

### Major variances caused by:

<b>Development Services and Business</b>	<b>Kenilworth School Loan:</b> underspend due to delays in complex project £3.8m
<b>Neighbourhood Services</b>	<b>Waste Vehicles:</b> recharged some vehicles to SDC £4.1m
<b>Cultural Services</b>	<b>Castle Farm Leisure Centre:</b> optimistic profiling £2.4m
<b>HRA Related HIP</b>	<b>New Build work delays:</b> underspend £16.4m <b>LAD3 Grand Scheme delays:</b> underspend £6.0m <b>Fire Safety Works delays:</b> underspend £2.5m <b>Other Various delayed works:</b> underspend £1.4m

## CAPITAL FINANCING 2021/22





## Key Strategic Partnerships

**Milverton Homes Ltd.** During 2020/21, Warwick District Council created a wholly owned Local Housing Company subsidiary named Milverton Homes Ltd. Milverton Homes Business Plan was approved by the Council's Cabinet on 10 December 2020. The Company was incorporated with Companies House on 8 January 2021, with the nature of the business being 4110 - Development of building projects. Four directors have been appointed to the Milverton Homes Board and are registered at Companies House, and the accounting reference period has been aligned with the Council's.

Milverton Homes entered into a joint venture, which is planned to last at least 6 years up to 2028 and will provide 248 affordable and social housing dwellings, which will be constructed and sold to the Council's Housing Revenue Account (HRA) in phases.

Milverton Homes will also acquire 62 Market Rate Rental Dwellings from the Joint Venture, to be let out to the public and managed in line with agreed Market Rental Letting Policies. These dwellings will enable Milverton Homes to generate its own income to ensure future operations are financially viable.

## 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 the Warwick District Council 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 2022/23 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 Cabinet.

Key risks currently identified include:

Risk/Issue	Probability of Occurrence	Management Action to Mitigate Risk
Risk of sustained service quality reduction	Medium / High	Service reviews and implementation of a change management programme, including review of resourcing requirements when service quality is reduced. Workforce planning and vacancy control. Strong leadership to manage priorities to a deliverable level and an enhanced performance management regime.
Risk of failure to protect information assets from malicious cyber-attack	Medium / High	Appropriate software solutions, strategies, and policies are in place aiming to prevent, detect, and contain an attack, reduce target exposure, speed up recovery times, and minimise the impact on service delivery, e.g. use of up-to-date anti-malware software and network intrusion detection / prevention solution, documented. Major Virus Response procedures, data distribution (multiple file servers), use of services from the National Cyber Security Centre, temporary website to be used in events of major outage, staff training.
Risk of insufficient finance to enable the Council to meet its objectives (including insufficient reduction in operational costs)	Medium / High	Robust financial planning and monitoring and a Medium-Term Financial Plan are used to forecast income and expenditure with change programmes in place to help meet the anticipated shortfall. Financial training for relevant staff and Members, project management with financial appraisals to understand funding requirements, and an effective internal audit service and external audit of accounts.



Risk/Issue	Probability of Occurrence	Management Action to Mitigate Risk
Risk of additional financial liabilities	Medium / High	<p>Regular monitoring of the corporate strategies (Fit for the Future and Corporate Asset Management) with associated action plans.</p> <p>Identification and control of emerging risks and implementation of a change programme.</p> <p>Effective financial planning and application of the medium-term financial strategy, appropriate levels or financial reserves, which are held and used to smooth fluctuations in income and expenditure.</p>
Failure to meet District's ambition to be carbon neutral within specified timeframes	Medium	<p>The Council's 2030 climate change ambitions have been more closely defined.</p> <p>Delivery of Business Strategy 2019-2023 and Climate Change Action Plan (which includes a more detailed risk register to manage specific risks associated with delivering the programme), allowing Members to determine the extent of measures / projects to mitigate climate change and other environmental challenges that are to be included.</p> <p>Appointment of a Climate Change Director and Climate Adaptation Officer and working with partners to address local risks.</p>
Failure to adequately prepare for the impacts of climate changes arising from higher global temperatures, colder changes and increased rain fall / flooding	Medium / High	<p>Appointment of Climate Change Director and Climate Adaptation Officer.</p> <p>Active dialogue with the Met Office to consider implications of climatic changes for the District and working with partners to address local risks.</p> <p>Membership of West Midlands Adaptation Steering Group and alignment with West Midlands Adaptation Plan with the Council's own, more detailed adaptation plan to be developed, alongside the adoption and delivery of the Climate Change Action Programme for which a detailed risk register is to be developed.</p> <p>Emergency planning arrangements and community engagement programmes.</p>

# 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 comprises 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 2022/23

There are no significant changes to the 2022/23 Statement of Accounts.

## 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 expenditures 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.

## RECEIPT OF FURTHER INFORMATION

If you would like to receive further information about these accounts, please do not hesitate to contact Andrew Rollins. Please see below for details.

## 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.

### **Andrew Rollins, ACMA, CGMA**

Head of Finance  
Town Hall  
Parade  
Royal Leamington Spa  
CV32 4AT

# 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 2023, and its income and expenditure in the year ended 31 March 2023.

10 November 2024

Andrew Rollins, ACMA, CGMA  
Head of Finance  
Town Hall  
Parade  
Royal Leamington Spa  
CV32 4AT

## Approval of Statement of Accounts

Statement of Accounts is to be approved at the Warwick District Council Audit and Standards Committee meeting held on 12 December 2024.

Chair of the Meeting  
Councillor Hales

# Comprehensive Income and 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.

Net Expenditure 2021/22 £000	Portfolio	Note	Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Net Expenditure 2022/23 £000
8,106	Neighbourhood & Assets		20,021	(8,772)	11,249
4,219	Safer Communities, Leisure & Environment		10,521	(885)	9,636
5,582	Place, Arts & Economy		17,277	(7,595)	9,682
1,700	Finance		10,512	(3,329)	7,183
2,347	Housing Services - GF		5,395	(2,714)	2,681
(4,306)	Housing Services - HRA		26,717	(30,489)	(3,772)
939	Customer & Digital Services		21,788	(20,715)	1,073
11	People and Communication		150	(92)	58
7,761	Strategic Leadership		5,535	(410)	5,125
<b>26,358</b>	<b>Cost of Services - continuing operations</b>		<b>117,916</b>	<b>(75,001)</b>	<b>42,915</b>
(4,139)	Other Operating Income and Expenditure	11	2,002	(6,361)	(4,359)
3,836	Financing and Investment Income and Expenditure	12	6,783	(9,940)	(3,157)
(32,076)	Taxation and Non-Specific Grant Income and Expenditure	13	0	(28,048)	(28,048)
<b>(6,020)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>7,351</b>
(26,091)	(Surplus) or Deficit on revaluation of Non Current Assets	25			(33,919)
8,103	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	25			10,109
0	Surplus or deficit on revaluation of available for sale financial assets	25			0
(20,845)	Remeasurement of the net defined benefit liability / (asset)	25			(56,189)
<b>(38,833)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(79,999)</b>
<b>(44,853)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(72,648)</b>

<sup>1</sup> The 2021/22 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 7 - prior period adjustments.



## 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.

2022/23	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 2022 carried forward</b>	<b>30,217</b>	<b>31,521</b>	<b>13,396</b>	<b>6,150</b>	<b>6,172</b>	<b>87,456</b>	<b>360,558</b>	<b>448,014</b>
<b>Movement in reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	(12,394)	5,042	-	-	-	(7,352)	80,890	73,538
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	15,434	(6,275)	(1,841)	806	1,443	9,567	(9,244)	323
<b>Increase / (Decrease) in 2022/23</b>	<b>3,040</b>	<b>(1,233)</b>	<b>(1,841)</b>	<b>806</b>	<b>1,443</b>	<b>2,215</b>	<b>71,646</b>	<b>73,861</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>33,257</b>	<b>30,288</b>	<b>11,555</b>	<b>6,956</b>	<b>7,615</b>	<b>89,671</b>	<b>432,204</b>	<b>521,875</b>

2021/22	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 2021 carried forward</b>	<b>36,203</b>	<b>30,952</b>	<b>7,830</b>	<b>5,994</b>	<b>5,008</b>	<b>85,987</b>	<b>317,256</b>	<b>403,243</b>
<b>Movement in reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	4,380	1,638	-	-	-	6,018	34,594	40,612
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	(10,366)	(1,069)	5,566	156	1,164	(4,549)	8,708	4,159
<b>Increase / (Decrease) in 2021/22</b>	<b>(5,986)</b>	<b>569</b>	<b>5,566</b>	<b>156</b>	<b>1,164</b>	<b>1,469</b>	<b>43,302</b>	<b>44,771</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>30,217</b>	<b>31,521</b>	<b>13,396</b>	<b>6,150</b>	<b>6,172</b>	<b>87,456</b>	<b>360,558</b>	<b>448,014</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 October 2024 and the audited accounts are due to be issued on 12 December 2024.

31 March 2022 £'000		Note	31 March 2023 £'000
	<b>Operational Assets:</b>		
438,085	Council Dwellings		453,493
8,117	HRA Land and Buildings		11,134
72,791	Other Land and Buildings		82,455
5,231	Vehicles, Plant, Furniture and Equipment		11,789
4,192	Infrastructure Assets		1,624
7,712	Community Assets		939
	<b>Non-Operational Assets</b>		
1,610	Surplus Assets		242
46,682	Assets under Construction		51,130
<b>584,420</b>	<b>Property, Plant and Equipment</b>	<b>14</b>	<b>612,806</b>
9,091	Heritage Assets	15	9,017
10,301	Investment Properties	16	14,931
533	Intangible Assets		362
377	Long Term Investments	17	977
58,719	Long Term Debtors	17	74,501
<b>663,441</b>	<b>Long Term Assets</b>		<b>712,594</b>
25,528	Short Term Investments	17	25,804
0	Assets Held for Sale	18	0
14	Inventories		19
9,143	Short Term Debtors	19	18,464
46,674	Cash and Cash Equivalents	21	9,462
<b>81,359</b>	<b>Current Assets</b>		<b>53,749</b>
(36,259)	Short Term Creditors	22	(29,729)
(254)	Provision Liabilities payable in less than 1 year	23	(943)
<b>(36,513)</b>	<b>Current Liabilities</b>		<b>(30,672)</b>
(153)	Long Term Creditors		(153)
(3,637)	Provision Liabilities payable in more than 1 year	23	(3,133)
(208,157)	Long Term Borrowing	17	(208,157)
0	Other Long Term Liabilities	17	0
(11,852)	Capital External Grants/Contributions in Advance	34	(15,089)
(36,475)	Net Pensions Liability	39	12,738
<b>(260,274)</b>	<b>Long Term Liabilities</b>		<b>(213,794)</b>
<b>448,013</b>	<b>Net Assets</b>		<b>521,877</b>
87,455	Usable Reserves	33	89,673
360,558	Unusable Reserves	24	432,204
<b>448,013</b>	<b>Total Reserves</b>		<b>521,877</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.

2021/22 £000		Notes	2021/22 £000
(10,399)	Net (Surplus) or deficit on the provision of services		7,331
(93,918)	Adjust net (surplus) or deficit on the provision of services for non cash movements	26	514
	Adjust for items included in the net (surplus) or deficit on the		
7,208	provision of services that are investing and financing activities	26	10,112
<b>(97,109)</b>	<b>Net cash flows from Operating Activities</b>		<b>17,957</b>
132,855	Investing Activities	27	18,733
(57,347)	Financing Activities	28	522
<b>(21,602)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>37,212</b>
(28,390)	Cash and cash equivalents at the beginning of the reporting period		(49,992)
<b>(49,992)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(12,780)</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 2020/21 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 de-minimis limit will be material to the overall accounting position.

## **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 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 4.75% (2.7% in 2021/22) 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 pension's 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 based on cash flows rather than as benefits are earned by employees.

## 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 August. 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 August 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.



## **Expected Credit Loss Model**

The authority recognises expected credit losses on all 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 grant or 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 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 are 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.

## 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, except for:

- 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.

## 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,
- 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 depreciation 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.

## **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 Capital Improvement Scheme 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.

- **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 2024/25 and will apply from 1 April 2024.

- **IAS 8 Accounting Policies**, Changes in Accounting Estimates and Errors will be amended to define accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2** will be amended to give more guidance on the disclosure of accounting policies in financial statements. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.
- **IAS 12 Income Taxes** will be amended in relation to deferred tax but no relevant transactions in group accounts have been identified.

### **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:

- There remains uncertainty around future funding levels for Local Government. However we have determined this is not yet sufficient to provide an indication that levels of service provision may need to be reduced, or that assets of the Council might be impaired because of the need to close facilities.
- All the Council's Investment Properties were revalued in 2022/23 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.

### **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 2023 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 - Asset Life	Assets are depreciated by type over standardised useful lives. These lives are dependent on the individual asset condition and assumptions about the level of repairs and maintenance that will be incurred.	Were the asset valuations to differ from those included within the Statement of Accounts, the carrying amount of the asset would change as follows: 2% £10,975m 5% £27,437m 10% £54,874m Currently, the Revaluation Reserve balance is £152,424m, which would change by the amount of any respective movement in valuation.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment - Depreciation	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 and associated components would have increased by £440k in this financial year if all the useful lives had to be reduced by 1 year.</p>
Arrears	At 31 March 2023, the Council had a balance of arrears for Housing Rents, Council Tax, Business Rates and other sundry debtors of £6.331. A review of the above suggested that an impairment of doubtful debts of 54.87% (£3.474m) was appropriate.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £3.474m to be set aside as an allowance.
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 March 2023 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>	An increase over the forthcoming year of 10% in settlements would have the effect of adding £0.408m to the provisions needed.
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 Note 40 Defined Benefit Pension Schemes.</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 31 October 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events took place before this date, provided information about conditions existing at 31 March 2023, 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 2023 there are no events after the Reporting Period for the Council to disclose.

## 6. 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.

Portfolio: 2022/23	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Neighbourhood & Assets	7,356	3,893	11,249
Safer Communities, Leisure & Environment	4,887	4,749	9,636
Place, Arts & Economy	7,363	2,319	9,682
Finance	(1,955)	9,138	7,183
Housing Services - GF	2,330	351	2,681
Housing Services - HRA	(11,167)	7,395	(3,772)
Customer & Digital Services	660	413	1,073
People and Communication	(112)	170	58
Strategic Leadership	233	4,892	5,125
<b>Net Costs of Services</b>	<b>9,595</b>	<b>33,320</b>	<b>42,915</b>
Other Operating Income and Expenditure	(17,509)	(18,055)	(35,564)
<b>(Surplus) or Deficit</b>	<b>(7,914)</b>	<b>15,265</b>	<b>7,351</b>
	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
<b>Opening Balance</b>	(30,217)	(31,521)	<b>(61,738)</b>
Less/Plus Surplus / (Deficit)	(3,041)	1,233	<b>(1,808)</b>
<b>Closing Balance at 31 March 2023</b>	<b>(33,258)</b>	<b>(30,288)</b>	<b>(63,546)</b>

Restatement of 2021/22 Portfolio:	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Neighbourhood & Assets	7,199	907	8,106
Safer Communities, Leisure & Environment	3,728	491	4,219
Place, Arts & Economy	3,138	2,444	5,582
Finance	1,492	208	1,700
Housing Services - GF	1,257	1,090	2,347
Housing Services - HRA	(1,527)	(2,779)	(4,306)
Customer & Digital Services	418	521	939
People and Communication	(98)	109	11
Strategic Leadership	3,726	4,035	7,761
<b>Net Costs of Services</b>	<b>19,332</b>	<b>7,026</b>	<b>26,358</b>
Other Income and Expenditure	(10,073)	(22,305)	(32,378)
<b>(Surplus) or Deficit</b>	<b>9,259</b>	<b>(15,279)</b>	<b>(6,020)</b>
	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
<b>Opening Balance</b>	(36,203)	(30,953)	<b>(67,156)</b>
Less/Plus Surplus / (Deficit)	5,986	(568)	<b>5,418</b>
<b>Closing Balance at 31 March 2022</b>	<b>(30,217)</b>	<b>(31,521)</b>	<b>(61,738)</b>

<sup>1</sup> The 2021/22 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 7 - prior period adjustments.

## Note to the Expenditure and Funding Analysis:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pension Adjustment (Note 2) £000	Other Adjustments (Note 3) £000	Total Adjustments £000
Neighbourhood & Assets	(3,450)	(451)	8	(3,893)
Safer Communities, Leisure & Environment	(4,339)	(417)	7	(4,749)
Place, Arts & Economy	(1,435)	(899)	15	(2,319)
Finance	(8,896)	(250)	8	(9,138)
Housing Services - GF	(127)	(228)	4	(351)
Housing Services - HRA	(6,815)	(591)	11	(7,395)
Customer & Digital Services	(46)	(374)	7	(413)
People and Communication	-	(170)	-	(170)
Strategic Leadership	(4,618)	(281)	7	(4,892)
<b>Net Cost Of Services</b>	<b>(29,726)</b>	<b>(3,661)</b>	<b>67</b>	<b>(33,320)</b>
Other income and expenditure from the Expenditure and Funding Analysis	16,226	990	839	18,055
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(13,500)</b>	<b>(2,671)</b>	<b>906</b>	<b>(15,265)</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pension Adjustment (Note 2) £000	Other Adjustments (Note 3) £000	Total Adjustments £000
Neighbourhood & Assets	(424)	(499)	17	(906)
Safer Communities, Leisure & Environment	(26)	(471)	6	(491)
Place, Arts & Economy	(1,480)	(986)	21	(2,445)
Finance	101	(320)	11	(208)
Housing Services - GF	(838)	(259)	7	(1,090)
Housing Services - HRA	3,430	(660)	9	2,779
Customer & Digital Services	(94)	(438)	11	(521)
People and Communication	80	(193)	4	(109)
Strategic Leadership	(3,725)	(312)	2	(4,035)
<b>Net Cost Of Services</b>	<b>(2,976)</b>	<b>(4,138)</b>	<b>88</b>	<b>(7,026)</b>
Other income and expenditure from the Expenditure and Funding Analysis	16,495	(1,060)	6,870	22,305
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>13,519</b>	<b>(5,198)</b>	<b>6,958</b>	<b>15,279</b>

<sup>1</sup> The 2021/22 figures have been restated to reflect the updated cabinet portfolios. For further information, please see note 7 - prior period adjustments.



## Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables 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

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

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.

## Segmental Income

Income received on a segmental basis is analysed below:

Portfolio	2022/23 Income from Services £000	2021/22 Restated(1) Income from Services £000
Neighbourhood & Assets	(8,761)	(7,991)
Safer Communities, Leisure & Environment	(829)	(776)
Place, Arts & Economy	(7,531)	(5,170)
Finance	(2,768)	(577)
Housing Services - GF	(1,035)	(510)
Housing Services - HRA	(30,472)	(28,370)
Customer & Digital Services	(66)	(96)
People and Communication	(92)	(85)
Strategic Leadership	(410)	(940)
<b>Total income analysed on a segmental basis</b>	<b>(51,964)</b>	<b>(44,515)</b>

## 7. Prior Year Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. 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. Warwick District Council changed the profile of its Portfolio's within the accounting year 2022/23. In order to provide meaningful comparative information, the 2021/22 CIES, EFA, Notes to the EFA and Segmented Income figures have been restated to reflect the new Portfolio's.

## Comprehensive Income and Expenditure Statement 2021/22 restated to 2022/23 Portfolio.

Restatement of 2021/22 - Comprehensive Income & Expenditure Statement				
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Net Expenditure</b>				
Assets	1,444	6,661	8,105	Neighbourhood & Assets
Community Protection	1,535	2,683	4,218	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	3,720	(3,720)	-	
Development Services	950	(950)	-	
Place & Economy	2,418	3,164	5,582	Place, Arts & Economy
Environment & Operations	8,162	(8,162)	-	
Finance	1,122	578	1,700	Finance
Housing Services - GF	2,347	-	2,347	Housing Services - GF
Housing Services - HRA	(4,305)	-	(4,305)	Housing Services - HRA
ICT Services	193	746	939	Customer & Digital Services
Law & Governance	1,362	(1,362)	-	
People and Communication	11	-	11	People and Communication
Revenues & Customer Services	1,324	(1,324)	-	
Strategic Leadership	6,075	1,686	7,761	Strategic Leadership
<b>Cost of Services - continuing operations</b>	<b>26,358</b>	<b>0</b>	<b>26,358</b>	
Other Operating Income and Expenditure	(4,139)	-	(4,139)	Other Operating Income and Expenditure
Financing and Investment Income and Expenditure	3,837	-	3,837	Financing and Investment Income and Expenditure
Taxation and Non-Specific Grant Income and Expenditure	(32,076)	-	(32,076)	Taxation and Non-Specific Grant Income and Expenditure
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(6,020)</b>	<b>0</b>	<b>(6,020)</b>	
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Gross Expenditure</b>				
Assets	2,064	14,032	16,096	Neighbourhood & Assets
Community Protection	2,400	3,024	5,424	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	5,792	(5,792)	-	
Development Services	3,952	(3,952)	-	
Place & Economy	3,169	7,985	11,154	Place, Arts & Economy
Environment & Operations	15,735	(15,735)	-	
Finance	2,494	1,458	3,952	Finance
Housing Services - GF	5,202	-	5,202	Housing Services - GF
Housing Services - HRA	24,249	-	24,249	Housing Services - HRA
ICT Services	287	22,227	22,514	Customer & Digital Services
Law & Governance	1,827	(1,827)	-	
People and Communication	96	-	96	People and Communication
Revenues & Customer Services	23,685	(23,685)	-	
Strategic Leadership	6,144	2,265	8,409	Strategic Leadership
<b>Cost of Services - continuing operations</b>	<b>97,096</b>	<b>0</b>	<b>97,096</b>	
Other Operating Income and Expenditure	2,798	-	2,798	Other Operating Income and Expenditure
Financing and Investment Income and Expenditure	6,139	-	6,139	Financing and Investment Income and Expenditure
Taxation and Non-Specific Grant Income and Expenditure	5,408	-	5,408	Taxation and Non-Specific Grant Income and Expenditure
<b>(Surplus) or Deficit on Provision of Services</b>	<b>111,441</b>	<b>0</b>	<b>111,441</b>	
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Gross Income</b>				
Assets	(620)	(7,371)	(7,991)	Neighbourhood & Assets
Community Protection	(865)	(341)	(1,206)	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	(2,072)	2,072	-	
Development Services	(3,002)	3,002	-	
Place & Economy	(751)	(4,821)	(5,572)	Place, Arts & Economy
Environment & Operations	(7,573)	7,573	-	
Finance	(1,372)	(880)	(2,252)	Finance
Housing Services - GF	(2,855)	-	(2,855)	Housing Services - GF
Housing Services - HRA	(28,554)	-	(28,554)	Housing Services - HRA
ICT Services	(94)	(21,481)	(21,575)	Customer & Digital Services
Law & Governance	(465)	465	-	
People and Communication	(85)	-	(85)	People and Communication
Revenues & Customer Services	(22,361)	22,361	-	
Strategic Leadership	(69)	(579)	(648)	Strategic Leadership
<b>Cost of Services</b>	<b>(70,738)</b>	<b>0</b>	<b>(70,738)</b>	
Other Operating Income and Expenditure	(6,937)	-	(6,937)	Other Operating Income and Expenditure
Financing and Investment Income and Expenditure	(2,302)	-	(2,302)	Financing and Investment Income and Expenditure
Taxation and Non-Specific Grant Income and Expenditure	(37,484)	-	(37,484)	Taxation and Non-Specific Grant Income and Expenditure
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(117,461)</b>	<b>0</b>	<b>(117,461)</b>	

## Note 6 – Expenditure and Funding Analysis 2021/22 restated to 2022/23 Portfolio.

Restatement of 2021/22 - Note 6 Expenditure and Funding Analysis				
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Net Expenditure Chargeable to the General Fund and HRA Balances</b>				
Assets	977	6,222	7,199	Neighbourhood & Assets
Community Protection	336	3,392	3,728	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	3,999	(3,999)	-	
Development Services	391	(391)	-	
Place & Economy	1,580	1,558	3,138	Place, Arts & Economy
Environment & Operations	7,428	(7,428)	-	
Finance	1,106	386	1,492	Finance
Housing Services - GF	2,101	(844)	1,257	Housing Services - GF
Housing Services - HRA	(1,682)	155	(1,527)	Housing Services - HRA
ICT Services	(54)	472	418	Customer & Digital Services
Law & Governance	1,272	(1,272)	-	
People and Communication	(190)	92	(98)	People and Communication
Revenues & Customer Services	950	(950)	-	
Strategic Leadership	1,118	2,608	3,726	Strategic Leadership
<b>Net Costs of Services</b>	<b>19,332</b>	<b>0</b>	<b>19,332</b>	
Other Operating Income and Expenditure	(10,073)	-	(10,073)	Other Operating Income and Expenditure
<b>(Surplus) or Deficit</b>	<b>9,259</b>	<b>0</b>	<b>9,259</b>	
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Adjustments between the Funding and Accounting Basis</b>				
Assets	467	440	907	Neighbourhood & Assets
Community Protection	1,199	(708)	491	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	(279)	279	-	
Development Services	559	(559)	-	
Place & Economy	838	1,606	2,444	Place, Arts & Economy
Environment & Operations	734	(734)	-	
Finance	16	192	208	Finance
Housing Services - GF	246	844	1,090	Housing Services - GF
Housing Services - HRA	(2,623)	(156)	(2,779)	Housing Services - HRA
ICT Services	247	274	521	Customer & Digital Services
Law & Governance	90	(90)	-	
People and Communication	201	(92)	109	People and Communication
Revenues & Customer Services	374	(374)	-	
Strategic Leadership	4,957	(922)	4,035	Strategic Leadership
<b>Net Costs of Services</b>	<b>7,026</b>	<b>-</b>	<b>7,026</b>	
Other Operating Income and Expenditure	(22,305)	-	(22,305)	Other Operating Income and Expenditure
<b>(Surplus) or Deficit</b>	<b>(15,279)</b>	<b>-</b>	<b>(15,279)</b>	
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>				
Assets	1,444	6,662	8,106	Neighbourhood & Assets
Community Protection	1,535	2,684	4,219	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	3,720	(3,720)	-	
Development Services	950	(950)	-	
Place & Economy	2,418	3,164	5,582	Place, Arts & Economy
Environment & Operations	8,162	(8,162)	-	
Finance	1,122	578	1,700	Finance
Housing Services - GF	2,347	0	2,347	Housing Services - GF
Housing Services - HRA	(4,305)	(1)	(4,306)	Housing Services - HRA
ICT Services	193	746	939	Customer & Digital Services
Law & Governance	1,362	(1,362)	-	
People and Communication	11	(1)	11	People and Communication
Revenues & Customer Services	1,324	(1,324)	-	
Strategic Leadership	6,075	1,686	7,761	Strategic Leadership
<b>Net Costs of Services</b>	<b>26,358</b>	<b>0</b>	<b>26,358</b>	
Other Operating Income and Expenditure	(32,378)	-	(32,378)	Other Operating Income and Expenditure
<b>(Surplus) or Deficit</b>	<b>(6,020)</b>	<b>0</b>	<b>(6,020)</b>	

## Note 6 – Note 1 to the Expenditure and Funding Analysis 2021/22 restated to 2022/23 Portfolio

Restatement of 2021/22- Note 6 Expenditure and Funding Analysis				
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Adjustments for Capital Purposes</b>				
Assets	(281)	(143)	(424)	Neighbourhood & Assets
Community Protection	(798)	772	(26)	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	655	(655)	-	
Development Services	(107)	107	-	
Place & Economy	(575)	(905)	(1,480)	Place, Arts & Economy
Environment & Operations	(387)	387	-	
Finance	101	-	101	Finance
Housing Services - GF	(26)	(812)	(838)	Housing Services - GF
Housing Services - HRA	3,274	156	3,430	Housing Services - HRA
ICT Services	(2)	(92)	(94)	Customer & Digital Services
Law & Governance	(1)	1	-	
People and Communication	(12)	92	80	People and Communication
Revenues & Customer Services	-	-	-	
Strategic Leadership	(4,817)	1,092	(3,725)	Strategic Leadership
<b>Net Costs of Services</b>	<b>(2,976)</b>	<b>-</b>	<b>(2,976)</b>	
Other income and expenditure from the Expenditure and Funding Analysis	16,495	-	16,495	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>13,519</b>	<b>0</b>	<b>13,519</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Adjustments between the Funding and Accounting Basis</b>				
Assets	(193)	(306)	(499)	Neighbourhood & Assets
Community Protection	(409)	(62)	(471)	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	(378)	378	-	
Development Services	(462)	462	-	
Place & Economy	(267)	(719)	(986)	Place, Arts & Economy
Environment & Operations	(358)	358	-	
Finance	(123)	(197)	(320)	Finance
Housing Services - GF	(226)	(33)	(259)	Housing Services - GF
Housing Services - HRA	(660)	-	(660)	Housing Services - HRA
ICT Services	(249)	(189)	(438)	Customer & Digital Services
Law & Governance	(89)	89	-	
People and Communication	(193)	-	(193)	People and Communication
Revenues & Customer Services	(386)	386	-	
Strategic Leadership	(145)	(167)	(312)	Strategic Leadership
<b>Net Costs of Services</b>	<b>(4,138)</b>	<b>-</b>	<b>(4,138)</b>	
Other income and expenditure from the Expenditure and Funding Analysis	(1,060)	-	(1,060)	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>(5,198)</b>	<b>0</b>	<b>(5,198)</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Other Adjustments</b>				
Assets	7	10	17	Neighbourhood & Assets
Community Protection	8	(2)	6	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	2	(2)	-	
Development Services	10	(10)	-	
Place & Economy	4	17	21	Place, Arts & Economy
Environment & Operations	11	(11)	-	
Finance	6	5	11	Finance
Housing Services - GF	6	1	7	Housing Services - GF
Housing Services - HRA	9	-	9	Housing Services - HRA
ICT Services	4	7	11	Customer & Digital Services
Law & Governance	-	-	-	
People and Communication	4	-	4	People and Communication
Revenues & Customer Services	12	(12)	-	
Strategic Leadership	5	(3)	2	Strategic Leadership
<b>Net Costs of Services</b>	<b>88</b>	<b>-</b>	<b>88</b>	
Other income and expenditure from the Expenditure and Funding Analysis	6,870	-	6,870	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>6,958</b>	<b>0</b>	<b>6,958</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
<b>Total Adjustments</b>				
Assets	(467)	(440)	(907)	Neighbourhood & Assets
Community Protection	(1,199)	708	(491)	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	279	(279)	-	
Development Services	(559)	559	-	
Place & Economy	(838)	(1,606)	(2,444)	Place, Arts & Economy
Environment & Operations	(734)	734	-	
Finance	(16)	(192)	(208)	Finance
Housing Services - GF	(246)	(844)	(1,090)	Housing Services - GF
Housing Services - HRA	2,623	156	2,779	Housing Services - HRA
ICT Services	(247)	(274)	(521)	Customer & Digital Services
Law & Governance	(90)	90	-	
People and Communication	(201)	92	(109)	People and Communication
Revenues & Customer Services	(374)	374	-	
Strategic Leadership	(4,957)	922	(4,035)	Strategic Leadership
<b>Net Costs of Services</b>	<b>(7,026)</b>	<b>-</b>	<b>(7,026)</b>	
Other income and expenditure from the Expenditure and Funding Analysis	22,305	-	22,305	Other income and expenditure from the Expenditure and Funding Analysis
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>15,279</b>	<b>0</b>	<b>15,279</b>	<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>

## Note 6 – Segmented Income 2021/22 restated to 2022/23 Portfolio.

Restatement of 2021/22 - Note 6 Expenditure and Funding Analysis				
Portfolio as reported 2021/22	As reported in 2021/22 statement £000	Movement between Portfolios £000	As reported in 2022/23 Statement £000	Revised Portfolio Reported 2022/23
Assets	(621)	(7,370)	(7,991)	Neighbourhood & Assets
Community Protection	(558)	(218)	(776)	Safer Communities, Leisure & Environment
Culture, Tourism & Leisure	(1,971)	1,971	-	
Development Services	(2,902)	2,902	-	
Place & Economy	(550)	(4,620)	(5,170)	Place, Arts & Economy
Environment & Operations	(7,494)	7,494	-	
Finance	(99)	(478)	(577)	Finance
Housing Services - GF	(466)	(44)	(510)	Housing Services - GF
Housing Services - HRA	(28,369)	(1)	(28,370)	Housing Services - HRA
ICT Services	(94)	(2)	(96)	Customer & Digital Services
Law & Governance	(412)	412	-	
People and Communication	(85)	-	(85)	People and Communication
Revenues & Customer Services	(481)	481	-	
Strategic Leadership	(413)	(527)	(940)	Strategic Leadership
<b>Total income analysed</b>	<b>(44,515)</b>	<b>-</b>	<b>(44,515)</b>	

## 8. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2022/23 £000	2021/22 £000
<b>Expenditure</b>		
Employee benefits expenses	25,951	25,127
Other services expenses	61,376	58,982
Depreciation, amortisation and impairment	31,651	19,190
Interest payments	5,720	5,344
Precepts and Levies	2,002	1,837
Payments to Housing Capital Receipts Pool	-	961
<b>Total Expenditure</b>	<b>126,700</b>	<b>111,441</b>
<b>Income</b>		
Fees, charges and other service income	(51,976)	(44,515)
Gain on the disposal of assets	(10,992)	(2,253)
Interest and investment income	(4,925)	(1,957)
Income from Council Tax and Business Rates	(13,603)	(15,924)
Government grants and contributions	(37,853)	(52,812)
<b>Total Income</b>	<b>(119,349)</b>	<b>(117,461)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>7,351</b>	<b>(6,020)</b>

## **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 Statement 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.



2022/23	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts 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					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(3,948)	(759)	-	-	-
■ Financial instruments (transferred to the Financial Instruments Adjustments Account)					
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	839	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	56	11	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	-	-	-	-	-
■ 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)	(17,034)	-	-	-	1,042
■ Write down long-term debtor loan as a capital receipt					
<b>Total Adjustments to the Revenue Account</b>	<b>(20,087)</b>	<b>(748)</b>	<b>-</b>	<b>-</b>	<b>1,042</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	-	6,207	(6,021)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	-	-	(6,553)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,183	819	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>2,183</b>	<b>7,026</b>	<b>(6,021)</b>	<b>(6,553)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	7,862	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	5,747	-
Application of capital grants unapplied credited to the CIES	2,485	-	-	-	(2,485)
<b>Total Adjustments to Capital Resources</b>	<b>2,485</b>	<b>-</b>	<b>7,862</b>	<b>5,747</b>	<b>(2,485)</b>
<b>Total Adjustments</b>	<b>(15,419)</b>	<b>6,278</b>	<b>1,841</b>	<b>(806)</b>	<b>(1,443)</b>

2021/22	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts 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					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(4,369)	(829)	-	-	-
■ Financial instruments (transferred to the Financial Instruments Adjustments Account)					
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	6,775	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	79	9	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	95	-	-	-	-
■ 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)	(268)	(5,888)	-	-	726
■ Write down long-term debtor loan as a capital receipt					
<b>Total Adjustments to the Revenue Account</b>	<b>2,312</b>	<b>(6,708)</b>	<b>-</b>	<b>-</b>	<b>726</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	4,070	4,503	(8,487)	-	-
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	-	-	-	(6,150)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,055	3,274	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,164</b>	<b>7,777</b>	<b>(7,526)</b>	<b>(6,150)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,960	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	5,994	-
Application of capital grants to finance capital expenditure	1,890	-	-	-	(1,890)
<b>Total Adjustments to Capital Resources</b>	<b>1,890</b>	<b>-</b>	<b>1,960</b>	<b>5,994</b>	<b>(1,890)</b>
<b>Total Adjustments</b>	<b>10,366</b>	<b>1,069</b>	<b>(5,566)</b>	<b>(156)</b>	<b>(1,164)</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 2022/23:

	Balance at 1 April 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31/03/2023 £000
<b>General Fund:</b>				
Art Gallery Gift Reserve	132	-	2	135
Building Control Reserve	473	(46)	-	427
Business Rate Retention Volatility Reserve	10,272	(194)	2,502	12,581
Capital Investment Reserve	1,356	-	100	1,456
Car Park Displacement Reserve	276	(23)	-	253
Car Parks Repairs & Maintenance Reserve	139	(18)	-	122
Cemetery Land Purchase Reserve	28	-	10	38
Climate change Reserve	-	(108)	500	393
Commonwealth Games Reserve	536	(258)	150	429
Community Projects Reserve	356	(346)	307	316
Corporate Assets Reserve	889	(69)	500	1,320
Covent Garden Multi Storey Reserve	900	-	-	900
Digital By Default Reserve	23	-	-	23
Earmarked Balances Reserve	2,347	(2,347)	940	940
Election Expenses Reserve	75	-	35	110
Enterprise Projects Reserve	218	(25)	-	193
Equipment Renewals Reserve	517	(88)	100	529
G M Commuted Sums Reserve	1,381	(89)	301	1,593
General Fund Balance Reserve	3,313	-	2,425	5,739
Harbury Lane Reserve	84	-	-	84
Homelessness Prevention Reserve	1,336	(436)	44	944
ICT Replacement Reserve	162	(83)	750	829
Insurance Reserve	274	-	-	274
Investment Volatility Reserve	100	-	-	100
Leisure Options Reserve	765	(1)	-	764
Local Plan Delivery Reserve	44	-	-	44
New bold Benches Reserve	6	-	-	6
Planning Appeal Reserve	452	(88)	26	390
Planning Investment Reserve	10	(232)	232	11
Public Amenity Reserve	244	(111)	270	403
Public Open Space Planning Gain Reserve	382	(189)	10	203
Revenue Grants / Contributions Received in Advance	220	(27)	45	237
Service Realignment Reserve	-	(900)	900	-
Services Transformation Reserve	2,330	(2,154)	1,022	1,198
Tourism Reserve	27	-	-	27
Ukrainian resettlement reserve	-	-	25	25
Working for Warwick Reserve	-	-	223	223
Community Emergency Response Fund Reserve (NFW)	2	-	-	2
ICT Service System Alignment Reserve (NEW)	500	(500)	-	-
<b>TOTAL GENERAL FUND</b>	<b>30,169</b>	<b>(8,331)</b>	<b>11,420</b>	<b>33,258</b>
<b>HRA:</b>				
Housing Revenue Balance Reserve	1,552	(52)	-	1,500
HRA Capital Investment Reserve	29,206	(1,283)	-	27,923
HRA Early Retirements Reserve	21	-	-	21
HRA Earmarked Reserves	469	(469)	444	444
Lifeline funding reserve	-	-	127	127
HRA Rev Grants/Contribs in Advance Reserve	10	-	-	10
HRA Rough Sleeping Initiative	262	-	-	262
Sale of Council Houses	0	(3,869)	3,869	0
<b>TOTAL HRA</b>	<b>31,521</b>	<b>(5,673)</b>	<b>4,440</b>	<b>30,288</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>61,690</b>	<b>(14,003)</b>	<b>15,860</b>	<b>63,547</b>

Some of the significant earmarked reserves, and their purpose are listed below

**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 2022/23 to 2023/24 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 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure 2021/22 £000		Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Net Expenditure 2022/23 £000
1,837	0	1,837	Parish Council Precepts	2,002	0	2,002
			Payments to Government Housing			
961	0	961	Capital Receipts Pool	0	0	0
			Gain or Loss on the disposal of non-			
0	(6,937)	(6,937)	current assets	0	(6,361)	(6,361)
<b>2,798</b>	<b>(6,937)</b>	<b>(4,139)</b>	<b>Total</b>	<b>2,002</b>	<b>(6,361)</b>	<b>(4,359)</b>

## 12. Financing and Investment Income and Expenditure

Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure 2021/22 £000		Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Net Expenditure 2022/23 £000
5,345	-	5,345	Interest Payable and similar charges	5,720	-	5,720
1,060	-	1,060	Pensions Interest Cost	1,063	-	1,063
-	(1,957)	(1,957)	Interest Receivable and similar income	-	(9,554)	(9,554)
			Income and expenditure in relation			
(266)	(345)	(611)	to investment properties and changes in their fair value	-	(386)	(386)
			Reversal of Available for sale financial instruments			
-	-	-		-	-	-
<b>6,139</b>	<b>(2,302)</b>	<b>3,837</b>		<b>6,783</b>	<b>(9,940)</b>	<b>(3,157)</b>

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

Gross Income 2021/22 £000		Gross Income 2022/23 £000
(11,726)	Council Tax income	(12,097)
(10,139)	Non-ringfenced Government Grants	(9,278)
488	Non-domestic rates income and expenditure	(1,506)
(10,699)	Capital Grants and Contributions	(5,167)
<b>(32,076)</b>		<b>(28,048)</b>

### 14. Property, Plant and Equipment

Movement on Balances								
Movements in 2022/23								
£000	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Cost or Valuation</b>								
<b>At 1 April 2022</b>	<b>438,085</b>	<b>88,543</b>	<b>8,434</b>		<b>8,378</b>	<b>1,994</b>	<b>46,682</b>	<b>596,968</b>
Additions	12,341	133	7,258	1,543	6	53	11,049	32,383
Revaluation increases / (decreases) recognised in the Revaluation Reserve	5,811	11,885	(10)	-	(4,000)	(106)		13,580
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,612)	(916)	-	(4,735)	(3,442)	-	(6,666)	(17,371)
Derecognition - disposals	(2,533)	-	-	-	-	-	-	(2,533)
Assets reclassified (to) / from Other Accounts	1,283	-	-	-	-	(1,393)	110	-
Other movements in cost or valuation	118	(6,056)	(579)	-	(3)	(306)	(46)	(6,872)
<b>At 31 March 2023</b>	<b>453,493</b>	<b>93,589</b>	<b>15,103</b>		<b>939</b>	<b>242</b>	<b>51,129</b>	<b>616,154</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2022</b>	<b>-</b>	<b>(7,635)</b>	<b>(3,203)</b>		<b>(666)</b>	<b>(384)</b>	<b>-</b>	<b>(12,547)</b>
Depreciation charge for year	(5,996)	(2,543)	(788)	625	(47)	(29)	-	(8,778)
Depreciation written out to the Revaluation Reserve	5,996	4,122	226	-	710	67	-	11,121
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	6,056	451	-	3	345	-	6,855
<b>At 31 March 2023</b>	<b>-</b>	<b>-</b>	<b>(3,314)</b>		<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(3,315)</b>
<b>Net Book Value</b>								
<b>31 March 2023</b>	<b>453,493</b>	<b>93,589</b>	<b>11,789</b>		<b>939</b>	<b>241</b>	<b>51,129</b>	<b>612,805</b>
<b>31 March 2022</b>	<b>438,085</b>	<b>80,908</b>	<b>5,231</b>		<b>7,712</b>	<b>1,610</b>	<b>46,682</b>	<b>584,420</b>

<b>Movement on Balances</b>								
<b>Movements in 2021/22</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>£000</b>								
<b>Cost or Valuation</b>								
<b>At 1 April 2021</b>	<b>411,124</b>	<b>88,662</b>	<b>11,852</b>	<b>3,928</b>	<b>8,306</b>	<b>1,994</b>	<b>32,477</b>	<b>558,343</b>
Additions	8,021	160	1,540	923	72	-	28,855	39,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,854	(279)	-	-	-	-	-	6,575
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	(2,252)	-	-	-	-	-	-	(2,252)
Assets reclassified (to) / from Other Accounts	14,338	-	-	-	-	-	(14,338)	-
Other movements in cost or valuation	-	-	(4,958)	-	-	-	(312)	(5,270)
<b>At 31 March 2022</b>	<b>438,085</b>	<b>88,543</b>	<b>8,434</b>	<b>4,851</b>	<b>8,378</b>	<b>1,994</b>	<b>46,682</b>	<b>596,968</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2021</b>	<b>-</b>	<b>(7,235)</b>	<b>(7,537)</b>	<b>(560)</b>	<b>(619)</b>	<b>(371)</b>	<b>-</b>	<b>(16,322)</b>
Depreciation charge for year	(5,606)	(2,648)	(623)	(99)	(47)	(29)	-	(9,052)
Depreciation written out to the Revaluation Reserve	5,606	2,248	-	-	-	17	-	7,871
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	4,957	-	-	-	-	4,957
<b>At 31 March 2022</b>	<b>-</b>	<b>(7,635)</b>	<b>(3,203)</b>	<b>(659)</b>	<b>(666)</b>	<b>(383)</b>	<b>-</b>	<b>(12,546)</b>
<b>Net Book Value</b>								
<b>31 March 2022</b>	<b>438,085</b>	<b>80,908</b>	<b>5,231</b>	<b>4,192</b>	<b>7,712</b>	<b>1,611</b>	<b>46,682</b>	<b>584,421</b>

## Depreciation

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

- Council houses – component depreciation – up to 75 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 2022/23

As at 31 March 2023, the Council has entered a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years.

The major contractual commitments at 31 March 2023 are:

General Fund	£000
Commonwealth Games preparations	394
Loan to housing joint venture	10,000
Housing Investment Programme	£000
Purchase of land and properties	6,402
Construction of properties	9,485

## 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 March 2023	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 transactions involving similar properties within the local property market.
2 - inputs other than quoted market prices	242	209	33	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>242</b>	<b>209</b>	<b>33</b>	

As at 31 March 2022	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 transactions involving similar properties within the local property market.
2 - inputs other than quoted market prices	1,611	1,430	181	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>1,611</b>	<b>1,430</b>	<b>181</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.

General Fund property 'fair values' in the Balance Sheet are based on 31 March 2023 valuations, following a full revaluation during the year. Housing Revenue Account property values are based on 31 March 2023 valuations.

The table below analyses all property, plant and equipment by valuation date: 31 March 2023

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	191	11,789	939	24	49,494	<b>62,437</b>
Valued at fair value as at:							
- 2022/23	453,493	93,398	-	-	218	1,635	<b>548,744</b>
- 2021/22	-	-	-	-	-	-	-
- 2020/21	-	-	-	-	-	-	-
- 2019/20	-	-	-	-	-	-	-
- 2018/19	-	-	-	-	-	-	-
<b>Total Cost or Valuation</b>	<b>453,493</b>	<b>93,589</b>	<b>11,789</b>	<b>939</b>	<b>242</b>	<b>51,129</b>	<b>611,181</b>

## 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 February 2020. 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 five years with the next valuation due February 2025.

### 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 February 2020 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 2022/23, items amounting to £2,150 have been added to the Social History collection, all of which were of low intrinsic value. Items totalling £1,600 have been added to the Fine Art Collection. Other additions totalled £2,570 for decorative arts, numastics and pictorial.

The Abbey Fields Barn was valued by Carter Jonas at 31 March 2023 at £0.265m 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. A copy 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.

A reconciliation of the Carrying Value of Heritage Assets held by the Authority is shown below:

Cost or Valuation	Decorative Arts Collection £000	Visual Arts Collection £000	Other £000	Total £000
<b>At 1 April 2022</b>	<b>318</b>	<b>7,663</b>	<b>1,110</b>	<b>9,091</b>
Additions	1	1	4	6
Revaluation	-	-	(76)	(76)
Other Movements in Cost or Valuation	-	-	-	-
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(4)	(4)
<b>At 31 March 2023</b>	<b>319</b>	<b>7,664</b>	<b>1,034</b>	<b>9,017</b>
<b>At 1 April 2021</b>	<b>318</b>	<b>7,663</b>	<b>1,054</b>	<b>9,035</b>
Additions	-	-	-	-
Other Additions	-	-	60	60
Other Movements in Cost or Valuation	-	-	-	-
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(4)	(4)
<b>At 31 March 2022</b>	<b>318</b>	<b>7,663</b>	<b>1,110</b>	<b>9,091</b>

A summary of Heritage Assets transactions is shown below:

	2022/23 £000	2021/22 £000
<b>Cost of Acquisitions of Heritage Assets</b>		
<b>Purchases</b>		
Decorative Arts	-	-
Visual Arts	-	-
Social History	-	-
<b>Donations</b>		
Decorative Arts	1	0
Visual Arts	1	-
Social History etc.	4	1
<b>Total Cost of Acquisitions</b>	<b>6</b>	<b>1</b>
<b>Revaluation of Heritage Assets</b>		
Decorative Arts	-	-
Visual Arts	-	-
Social History etc.	(76)	60
<b>Total Revaluations</b>	<b>(76)</b>	<b>60</b>
<b>Disposals of Heritage Assets</b>		
Social History etc.	(0)	-
<b>Carrying Value</b>	<b>-</b>	<b>-</b>
<b>Proceeds</b>	<b>-</b>	<b>-</b>

## 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:

	2022/23 £000	2021/22 £000
Rental income from investment property	934	690
Direct operating expenses arising from investment property	(775)	(516)
<b>Net gain / (loss)</b>	<b>159</b>	<b>174</b>

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

	2022/23 £000	2021/22 £000
<b>Balance at start of the year</b>	<b>10,301</b>	<b>10,035</b>
Net gains / (losses) from fair value adjustments	4,630	266
<b>Balance at end of year</b>	<b>14,931</b>	<b>10,301</b>

All 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 2022 and 2023 are as follows:

As at 31 March 2023	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	14,931	5,563	9,368	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>14,931</b>	<b>5,563</b>	<b>9,368</b>	

As at 31 March 2022	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	10,301	2,895	7,406	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>10,301</b>	<b>2,895</b>	<b>7,406</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 Investments 31 March 2023 £000	Non Current Investments 31 March 2022 £000	Non Current Debtors 31 March 2023 £000	Non Current Debtors 31 March 2022 £000	Current Investments 31 March 2023 £000	Current Investments 31 March 2022 £000	Current Debtors 31 March 2023 £000	Current Debtors 31 March 2022 £000	TOTAL 31 March 2023 £000	TOTAL 31 March 2022 £000
Fair value through profit and loss	1,054	377	-	-	5,019	32,633	-	-	6,074	33,010
Amortised cost	-	-	74,341	58,719	29,948	42,480	17,162	7,832	121,451	109,031
<b>Total</b>	<b>1,054</b>	<b>377</b>	<b>74,341</b>	<b>58,719</b>	<b>34,967</b>	<b>75,112</b>	<b>17,162</b>	<b>7,832</b>	<b>127,524</b>	<b>142,040</b>

Financial Liabilities	Non Current Borrowing 31 March 2023 £000	Non Current Borrowing 31 March 2022 £000	Non Current Creditor 31 March 2023 £000	Non Current Creditor 31 March 2022 £000	Current Borrowing 31 March 2023 £000	Current Borrowing 31 March 2022 £000	Current Creditor 31 March 2023 £000	Current Creditor 31 March 2022 £000	TOTAL 31 March 2023 £000	TOTAL 31 March 2022 £000
Amortised cost	(208,157)	(208,157)	(153)	(153)	-	-	(29,587)	(39,577)	(237,897)	(247,887)
<b>Total</b>	<b>(208,157)</b>	<b>(208,157)</b>	<b>(153)</b>	<b>(153)</b>	<b>0</b>	<b>0</b>	<b>(29,587)</b>	<b>(39,577)</b>	<b>(237,897)</b>	<b>(247,887)</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 the Council's financial assets designated as Fair Value Through Profit and Loss at 31 March 2023, 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.

Asset	Rating	Exposure at 31 March 2023 £000	Maximum Exposure £000	Credit Default Risk £000	Maximum potential change in fair value through credit risk £000
Federated Money LVNAV Market Fund	AAAm / Aaa-mf / AAAmmf	1,572	10,000	0.04%	4
Federated Cash Plus VNAV Account	AAAf S1 / Aaa-bf / AAA/V1	-	6,000	0.04%	2
Deutsche Global LVNAV MMF	AAAm / Aaa-mf / AAAmmf	39	10,000	0.04%	4
Aberdeen/Standard Life (Ignis) LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	80	10,000	0.04%	4
Goldman Sachs LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	51	10,000	0.04%	4
Royal London Cash Plus VNAV Money Market Fund	AAAf S1 / Aaa-bf / AAA/V1	3,163	6,000	0.04%	2
Invesco LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	39	10,000	0.04%	4
HSBC Liquidity Fund Including ESG	AAAm / Aaa-mf / AAAmmf	75	10,000	0.02%	2
Royal London Equity Income Fund	Low Risk	-	4,000	N/A	-
Threadneedle Equity Income Fund	Low Risk	-	4,000	N/A	-
<b>Total</b>		<b>5,019</b>	<b>80,000</b>		<b>27</b>

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

## Income, Expense, Gains and Losses

	31 March 2023 Surplus or Deficit on the Provision of Services £000	31 March 2023 Other Comprehensive Income and Expenditure £000	31 March 2022 Surplus or Deficit on the Provision of Services £000	31 March 2022 Other Comprehensive Income and Expenditure £000
<b>Net gains / (losses) on:</b>				
Financial assets at fair value through profit and loss	-	-	95	-
<b>Total net gains or (losses)</b>	-	-	<b>95</b>	-
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	4,924	-	1,660	-
Other financial assets measured at fair value through profit or loss	-	-	143	-
<b>Total interest revenue</b>	<b>4,924</b>	-	<b>1,803</b>	-
<b>Interest expense</b>				
<b>Fee expense:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	(5,720)	-	(5,329)	-
<b>Total fee expense</b>	<b>(5,720)</b>	-	<b>(5,329)</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.

Financial Assets - Fair Value through Profit and Loss	Input Level in Fair Value Hierarchy	Valuation Techniques Used to Measure Fair Value	31 March 2023 £000	31 March 2022 £000
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	-	-
Money Market Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	5,019	33,010
Certificates of Deposit, Bonds, etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	-	-
<b>Total</b>			<b>5,019</b>	<b>33,010</b>

Current investments of £34.967m are made up of £5.019m of money market funds, as shown in the table above, as well as £29.948m simple deposits at amortised cost.

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, to fulfil its obligations under the new HRA self-financing regime. £12m was taken in 2019/20 for General Fund purposes with a maturity to 28 August 2059, and £60m was borrowed during 2021/22 for back-to-back loans to a housing joint venture, with periods between 1.5 and 5.5 years. 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 2023 using the PWLB redemption rate and these are £195.626m. The difference between this figure and the £208.157m carried in the balance sheet represents the discounts that would be received for early redemption of the loans as the current interest rates are above those in force when the borrowing took place in March 2012, September 2019 and during 2021/22. 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 £208.157m is £172.539m including net potential discounts of £36.798m, less accrued interest. As the Council has a net borrowing requirement to finance capital expenditure there is no opportunity to realise this potential discount, as alternative borrowing costs would offset the benefits. 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 2023 Carrying amount £000	31 March 2023 Fair value £000	31 March 2022 Carrying amount £000	31 March 2022 Fair value £000
Short-term investments	29,948	29,948	42,480	42,480
Long-term investments	-	-	-	-
Short-term debtors	17,162	17,162	7,832	7,832
Long-term debtor	74,341	74,341	58,719	58,719
<b>Total Financial Assets</b>	<b>121,451</b>	<b>121,451</b>	<b>109,031</b>	<b>109,031</b>

Financial Liabilities	31 March 2023 Carrying amount £000	31 March 2023 Fair value £000	31 March 2022 Carrying amount £000	31 March 2022 Fair value £000
PWLB debt	(208,157)	(195,626)	(208,157)	(235,789)
Short-term creditors	(29,587)	(29,587)	(39,577)	(39,577)
Long-term creditors	(153)	(153)	(153)	(153)
Short-term finance lease liability	-	-	-	-
Long-term finance lease liability	-	-	-	-
<b>Total Financial Liabilities</b>	<b>(237,897)</b>	<b>(225,366)</b>	<b>(247,887)</b>	<b>(275,519)</b>

## 18. Intangible Assets

The balance of the Council's Intangible Assets is as follows:

2021/22 £000		2022/23 £000
897	Gross carrying amounts	1,225
(645)	Accumulated amortisation	(692)
<b>252</b>	<b>Net carrying amount at start of year</b>	<b>533</b>
328	Additions	117
	Other disposals	-
(47)	Amortisation for the period	(288)
	Other changes	-
<b>533</b>	<b>Net carrying amount at end of year</b>	<b>362</b>
1,225	Gross carrying amounts	1,342
(692)	Accumulated amortisation	(980)
<b>533</b>	<b>Total</b>	<b>362</b>

## 19. 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. There were no such assets at 31 March 2023.

	2022/23 £000	2021/22 £000
<b>Balance outstanding at start of year</b>	-	-
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	-
Assets sold	-	-
<b>Balance outstanding at year-end</b>	-	-

## 20. Debtors

Debtors are amounts due to the Council:

	31 March 2023 £000	31 March 2022 £000
Trade receivables	10,558	6,221
Prepayments	113	53
Other receivable amounts :-		
External funding	596	208
VAT	4,823	1,175
Business Rates/Council Tax etc	2,371	1,463
Investments	2	23
<b>Total Short Term Debtors</b>	<b>18,464</b>	<b>9,143</b>
Loans to housing joint venture	60,000	50,000
Other capital loans	216	315
Deferred capital receipts	14,286	8,405
<b>Total Long Term Debtors</b>	<b>74,502</b>	<b>58,719</b>
<b>Total Debtors</b>	<b>92,965</b>	<b>67,862</b>

## 21. 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 2023 £000	31 March 2022 £000
Less than three months	5,935	4,236
Three to six months	1,335	1,551
Six months to one year	379	384
More than one year	1,625	1,216
<b>Total Debtors</b>	<b>9,273</b>	<b>7,387</b>



## 22. Cash and Cash Equivalents

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

	31 March 2023 £000	31 March 2022 £000
Cash held by the Council	30	30
Bank current accounts	268	(3,030)
Money Market deposits	9,164	49,674
<b>Total Cash and Cash Equivalents</b>	<b>9,462</b>	<b>46,674</b>

## 23. Creditors

Creditors are amounts owed to others by the Council:

	31 March 2023 £000	31 March 2022 £000
Trade payables	(11,061)	(5,454)
Other payable amounts :-		
External Funding	(9,094)	(6,378)
Business Rates, Council Tax etc	(9,427)	(24,299)
Investments	(147)	(129)
<b>Total Creditors</b>	<b>(29,729)</b>	<b>(36,260)</b>

## 24. Provisions

Provisional Liabilities Payable in More Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
<b>Balance at 1 April 2022</b>	<b>3,179</b>	<b>229</b>	<b>230</b>	<b>3,638</b>
Additional/(reduced) provisions made in 2022/23	-	40	(4)	<b>36</b>
Amounts used in 2022/23	(1,443)	-	-	<b>(1,443)</b>
Amounts payable < 1 year transferred to short term provision	903	-	-	<b>903</b>
<b>Balance at 31 March 2023</b>	<b>2,639</b>	<b>269</b>	<b>226</b>	<b>3,134</b>

Provisional Liabilities Payable in Less Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
<b>Balance at 1 April 2022</b>	<b>203</b>	<b>31</b>	<b>20</b>	<b>254</b>
Additional provisions made in 2022/23	5,762	58	9	<b>5,829</b>
Amounts used in 2022/23	(4,183)	(40)	(15)	<b>(4,238)</b>
Amounts payable < 1 year transferred from long term provision	(903)	-	-	<b>(903)</b>
<b>Balance at 31 March 2023</b>	<b>879</b>	<b>49</b>	<b>14</b>	<b>942</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 assess 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.

## 25. Unusable Reserves

31 March 2022 £'000		31 March 2023 £'000
125,109	Revaluation Reserve	153,446
788	Deferred Capital Receipts Reserve	788
0	Financial Instruments Revaluation Reserve	0
276,057	Capital Adjustment Account	266,692
(11)	Financial Instruments Adjustment Account	(11)
(38,954)	Pensions Reserve	12,738
(2,169)	Collection Fund Adjustment Account	(1,255)
(262)	Accumulated Absences Account	(195)
<b>360,558</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>432,203</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.

2021/22 £000		2022/23 £000	2022/23 £000
<b>110,758</b>	<b>Balance at 1 April</b>		<b>128,745</b>
26,091	Upward revaluation of assets	36,174	
(8,104)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(11,473)	
<b>17,987</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>24,701</b>
	- Recognition of Heritage Assets on Donation	-	
	- Difference between fair value depreciation and historical cost depreciation	-	
	- Accumulated gains on assets sold or scrapped	-	
	- Amount written off to the Capital Adjustment Account		-
<b>128,745</b>	<b>Balance at 31 March</b>		<b>153,446</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. When the deferred cash settlement eventually takes place amounts are transferred to the Capital Receipts Reserve.

2021/22 £000		2022/23 £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.

2021/22 £000		2022/23 £000
<b>(95)</b>	<b>Balance at 1 April</b>	-
-	Upward revaluation of investments	-
-	Downward revaluation of investments	-
95	Change in impairment loss allowances	-
<b>-</b>	<b>Balance at 31 March</b>	<b>-</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 6 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £000		2022/23 £000	2022/23 £000
269,758	<b>Balance at 1 April</b>		<b>272,421</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,056)	- Charges for depreciation and impairment of non-current assets	(26,274)	
(3,636)	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	-	
(47)	- Amortisation of intangible assets	(27)	
(6,695)	- Revenue expenditure funded from capital under statute	(2,341)	
(2,292)	- 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	(2,607)	
(1,000)	- Write down long-term debtor loan as a capital receipt	-	
<b>(22,726)</b>			<b>(31,249)</b>
	- Accumulated gains on assets sold or scrapped		-
	- Difference between fair value depreciation and historical cost depreciation		-
<b>(22,726)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(31,249)</b>
	<b>Capital Financing applied in the year:</b>		
2,960	- Use of the Capital Receipts Reserve to finance new capital expenditure	7,862	
5,994	- Use of the Major Repairs Reserve to finance new capital expenditure	5,747	
9,087	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,960	
727	- Application of grants to capital financing from the Capital Grants Unapplied Account	1,042	
6,008	- Capital expenditure charged against the General Fund and HRA balances	2,790	
<b>24,776</b>			<b>20,401</b>
344	Minimum Revenue Provision		489
267	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		4,630
2	Removal of initial recognition of Donated Assets credited to the Comprehensive Income and Expenditure Statement		-
<b>272,421</b>	<b>Balance at 31 March</b>		<b>266,692</b>

## 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.

2021/22 £000		2022/23 £000
(54,601)	Balance at 1 April	(38,954)
20,845	Remeasurements of the net defined benefit liability	56,189
(8,085)	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	(7,302)
2,887	Employer's pensions contributions and direct payments to pensions payable in the year	2,805
<b>(38,954)</b>	<b>Balance at 31 March</b>	<b>12,738</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 2021/22 £000	NNDR 2021/22 £000	Total £000		Council Tax 2022/23 £000	NNDR 2022/23 £000	Total £000
(122)	(8,869)	(8,991)	Balance at 1 April	(54)	(2,115)	(2,169)
68	6,754	6,822	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	96	818	914
<b>(54)</b>	<b>(2,115)</b>	<b>(2,169)</b>	<b>Balance at 31 March</b>	<b>42</b>	<b>(1,297)</b>	<b>(1,255)</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.

2021/22 £000		2022/23 £000	2022/23 £000
<b>(349)</b>	<b>Balance at 1 April</b>		<b>(262)</b>
349	Settlement or cancellation of accrual made at the end of the preceding year	262	
(262)	Amounts accrued at the end of the current year	(195)	
87	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		67
<b>(262)</b>	<b>Balance at 31 March</b>		<b>(195)</b>

## 26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2021/22 £000		2022/23 £000
(1,641)	Interest received	(3,785)
5,329	Interest paid	5,720
0	Interest element of finance lease payments	-
<b>3,688</b>		<b>1,935</b>

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

2021/22 £000		2022/23 £000
(9,056)	Depreciation	2,341
-	Impairment & revaluations in consolidated income and expenditure	(19,759)
(47)	Amortisation of intangible assets	(288)
(7,392)	(Increase) / decrease in creditors	7,169
(13,541)	Increase / (decrease) in debtors	11,462
112	(Increase) / decrease in impairment for bad debt	(221)
(1)	Increase / (decrease) in inventories	5
(5,198)	Movement in pension liability	(4,497)
-	Carrying amount of non-current assets, assets held for sale, sold or derecognised	-
(5,244)	Other non-cash items charged to the net surplus or deficit on the provision of services	4,512
<b>(40,367)</b>	<b>Adjust net (surplus)/deficit on the provision of services for non-cash movements</b>	<b>724</b>

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

2021/22 £000		2022/23 £000
406	Investment Gains / (Losses)	-
3,872	Proceeds from the sale of PPE, investment properties and intangible assets	6,067
2,930	Any other items for which the cash effects are investing or financing cash flows	4,045
<b>7,208</b>	<b>Adjust net (surplus)/deficit on the provision of services that are investing and financing activities</b>	<b>10,112</b>

## 27. Cash Flow Statement – Investing Activities

2021/22 £000		2022/23 £000
63,921	Purchase of property, plant and equipment, investment property and intangible assets	54,224
558,484	Purchase of short-term and long-term investments	262,266
-	Other payments for investing activities	-
(3,872)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(6,067)
(537,379)	Proceeds from the sale of short-term and long-term investments	(284,685)
1,701	Other receipts from investing activities	(7,005)
<b>82,855</b>	<b>Net cash flows from investing activities</b>	<b>18,733</b>

## 28. Cash Flow Statement – Financing Activities

2021/22 £000		2022/23 £000
(60,000)	Cash receipts of short- and long-term borrowing	-
1,478	Other receipts from financing activities	1,563
	Cash payments for the reduction of the outstanding liabilities	
12	relating to finance leases	-
-	Repayments of short- and long-term borrowing	-
1,163	Other payments for financing activities	(1,042)
<b>(57,347)</b>	<b>Net cash flows from financing activities</b>	<b>522</b>

## 29. Reconciliation of Liabilities Arising from Financing Activities

	01/04/2022	Financing cash flows £000	Non-cash changes		31/03/2023
	£000		Acquisition £000	Other non-cash changes £000	£000
Long-term borrowings	(208,157)	-	-	-	(208,157)
Short-term borrowings	-	-	-	-	-
Lease liabilities	-	-	-	-	-
<b>Total liabilities from financing activities</b>	<b>(208,157)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(208,157)</b>

## 30. 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	2022/23 £000	2021/22 £000
Basic	266	250
Special Responsibility	109	79
Chair and Vice Chair Allowances	8	8
Co-Optees	1	1
Other Allowances (Travel, Subsistence, etc.)	-	-
<b>Total</b>	<b>384</b>	<b>338</b>



### 31. 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	2022/23	119,126	23,706	142,832
	2021/22	131,276	24,650	155,926
Deputy Chief Executive	2022/23	97,323	19,367	116,690
	2021/22	100,650	18,984	119,634
Deputy Chief Executive	2022/23	-	-	-
	2021/22	15,178	2,363	17,541
Head of Finance	2022/23	77,491	15,421	92,912
	2021/22	84,108	17,575	101,683
Programme Director for Climate Change	2022/23	97,323	19,367	116,690
	2021/22	91,731	18,336	110,067

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	2022/23 Number of Employees Total	2022/23 Number of Employees Left in Year	2021/22 Number of Employees Total	2021/22 Number of Employees Left in Year
£50,000 - £54,999	12	1	8	-
£55,000 - £59,999	8	-	2	-
£60,000 - £64,999	1	-	-	-
£65,000 - £69,999	1	-	5	-
£70,000 - £74,999	3	-	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	1	-	1	-

### 32. Termination benefits

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 2021/22	Number of compulsory redundancies 2022/23	Number of other departures agreed 2021/22	Number of other departures agreed 2022/23	Total number of exit packages by cost band 2021/22	Total number of exit packages by cost band 2022/23	Total cost of exit packages in each band 2021/22 £	Total cost of exit packages in each band 2022/23 £
£0 - £20,000	2	2	1	1	3	3	19,962	26,550
£40,001 - £60,000	-	1	-	-	-	1	-	55,635
£200,001 - £250,000	1	-	-	-	1	-	201,002	-
<b>Total</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>220,964</b>	<b>82,185</b>

### 33. External Audit Costs

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

	2022/23 £000	2021/22 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	73	73
Additional fees payable to Grant Thornton in respect of prior year external audit services	52	16
Fees payable to Grant Thornton for the certification of grant claims and returns	30	24
Additional fees payable to Grant Thornton for the certification of prior year grant claims and returns	10	7
<b>Total</b>	<b>165</b>	<b>120</b>

### 34. Usable Reserves

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

31 March 2022 £'000		31 March 2023 £'000
30,217	General Fund Revenue Balance	33,258
31,521	Housing Revenue Account Balance	30,288
6,150	Major Repairs Reserve	6,956
13,396	Usable Capital Receipts Reserve	11,555
6,172	External Capital Grants / Contributions Unapplied	7,615
<b>87,456</b>	<b>TOTAL USABLE RESERVES</b>	<b>89,672</b>

### 35. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £000	2021/22 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	(2,681)	(3,269)
Small Business Rate Relief	(6,190)	(7,294)
Council Tax Support Grant	-	579
Lower Tier Service Income Grant	(395)	(147)
Transparency Setup Grant	-	-
Council Tax Annex Discount Grant	(12)	(8)
<b>Non Ringfenced Revenue Grants</b>	<b>(9,278)</b>	<b>(10,139)</b>
Commonwealth Games	(81)	(15)
S106 Contributions	2,824	(187)
Community Infrastructure Levy	(2,485)	(1,889)
Pump Room Gardens Heritage Lottery Grant	-	(34)
Future Highstreets Fund	(4,265)	(295)
Green Homes Grant (LAD2)	(239)	(15)
UK Shared Prosperity Fund	(294)	-
Lawn Tennis Association	(88)	-
Sport England Grant	(424)	-
Cyber Support Fund	(100)	-
HIF Grant - Kenilworth School	-	(4,817)
CWLEP Bowling Green Grant	-	(30)
Football foundation	-	(3)
Outdoor Gym Equipment	-	(25)
Racing Club Warwick	-	(14)
Warwick Town Council	-	(5)
Housing Subsidy	-	(3,370)
Network Rail	(15)	-
<b>Capital Grants and Contributions:</b>	<b>(5,167)</b>	<b>(10,699)</b>
<b>Total Grants Credited to Taxation &amp; Non Specific Grant Income</b>	<b>(14,445)</b>	<b>(20,838)</b>
<b>Credited to Services</b>		
DWP Grants for Housing Benefits	(20,173)	(20,805)
COVID 19 - Income Recovery Scheme	-	(1,051)
UKSPF Capacity Funding	(35)	-
Disabled Facilities Grant - HEART Scheme	(970)	(999)
Local Council Tax Admin Support Grant	(434)	(600)
Homelessness Reduction Act Grant	(462)	(600)
Rough Sleeping Initiative Grant	(238)	(570)
COVID 19 Outbreak Management Fund	-	(339)
Contribution towards NNDR Collection	(217)	(218)
Council Tax and Business Rates - New Burdens	(261)	-
New Burdens Grant	(52)	(184)
Tenant Satisfaction Measures	(17)	-
National Leisure Recovery Fund	-	(172)
Licensing - New Burdens	(4)	-
Future Highstreet Fund	(1)	(141)
Rough Sleeping Initiative Grant - Hostel	-	(130)
Land Registry S31 Grant	-	(90)
Pump Room Gardens HLF Grant	-	(77)
Rough Sleeping - Protect and Vaccinate Grant	-	(69)
Cultural Recovery Grant	(26)	(61)
De-centralisation and Neighbourhood Planning	(20)	(60)
COVID 19 Enforcement	-	(57)
COVID-19 Self Isolation Payments	(11)	(54)
Homelessness Ex-Offenders Grant	-	(53)
S31 Grant COVID-19 Non-Reclaimable Elections Expenses	-	(49)
Police & Crime Commissioner Grant	(35)	(36)
COVID-19 Furlough Grant Claims	-	(33)
CEV Funding Support Grant	(10)	(21)
S31 Redmond Review	(21)	(21)
Benefits - Verify Earnings and Pension (VEP) Service	(17)	(19)
Benefits - HBAA Initiative	(14)	-
Electoral Integrity Programme Funding	(1)	-
Transparency Code - New Burdens	(8)	-
Lawn Tennis Association	(3)	-
S31 Biodiversity Net Gain	-	(10)
Improvement and Development Agency	-	(10)
Arts Pre Raph Grant	-	(7)
Individual Electoral Registration	-	(5)
<b>Credited to Services</b>	<b>(23,030)</b>	<b>(26,541)</b>
<b>TOTAL GRANTS</b>	<b>(37,475)</b>	<b>(47,379)</b>

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:

	2022/23 £000	2021/22 £000
Conservation Grants	0	0
Future High Street Fund	5,046	2,172
Green Homes Grant	-	307
S106 Contributions towards social housing, sports & leisure facilities and play equipment	9,546	9,373
West Midlands Combined Authority - CWG	81	-
DLUHC Cyber Support Fund	100	-
DLUHC UK Shared Prosperity Fund	310	-
Lawn Tennis Association	1	-
Network Rail Contribution	4	-
<b>Capital Grants, Contributions Held in Advance</b>	<b>15,088</b>	<b>11,852</b>

### 36. 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 2023 are included within the figures shown in the Grant Income note 34.

#### **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 38.

#### **Precepting Bodies:**

The various Town and Parish Council's in the Council's area issue precepts on the Council. For 2022/23 the precepts issued totalled £2.002m (2021/22 £1.837m). The major preceptors were:

Major Preceptors	2022/23 £000	2021/22 £000
Warwick Town Council	561	503
Royal Leamington Spa Town Council	422	412
Whitnash Town Council	284	234
Kenilworth Town Council	204	184

#### **Council Members and Chief Officers:**

Council Members make disclosures of their pecuniary and non-pecuniary interests in the Members' Register and 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 £2.044m (2021/22 £5.667m) 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	2022/23 £000	2021/22 £000
Kenilworth School Multi Academy Trust	1,819	4,817
Whitnash Town Council	0	642
Kenilworth Rugby Club	0	80
Citizen's Advice Bureau	0	75
Shakespeare's England Ltd	88	70
Brunswick Healthy Living	0	50
Lord Leycester Hospital Warwick	60	0
Racing Club Warwick FC	0	39
Warwickshire Community and Voluntary Action (CAVA)	53	39
Warwick Town Council	35	30
Sydenham Neighbourhood Initiatives	27	41
Hill Close Gardens Trust	25	0
The GAP-VCS contract	25	30
Coventry & Warwickshire Local Enterprise Partnership	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 - £0.324m in 2022/23 (£0.367m in 2021/22).

#### **Entities Controlled or Significantly Influenced by the Authority:**

##### Milverton Homes Ltd.

During 2020/21 Warwick District Council created a wholly owned Local Housing Company subsidiary named Milverton Homes Ltd. Company number 13123477. Milverton Homes most recent Business Plan was approved by the Council's Cabinet on 25 May 2021. The Company was incorporated with Companies House on 8 January 2021 with the nature of the business being 4110 – Development of building projects. Four directors have been appointed to Milverton Homes Board and registered on Companies House and the accounting reference period was shortened to align with the Council's.

Group Accounts have been prepared in the 2022/23 Financial Statements.

Milverton Homes has appointed an external accounting and audit company TC Group to provide accounts that are audited and meet Accounting Standards for consolidation into the Council's Group Accounts. Where possible the accounting policies adopted by Milverton Homes are aligned to the Council's accounting policies and are in line with private company reporting regulations from the Companies Act 2006.

Milverton Homes entered into a Joint Venture with Crewe Lane LLP which is a housing development vehicle and is a 50/50 Joint Venture between Milverton Homes Limited (Company Number 13123477) and Vistry Partnerships Limited (Company Number 00800384).

#### Crewe Lane LLP

Crewe Lane LLP is a housing development vehicle and is a 50/50 Joint Venture between Milverton Homes Limited (Company Number 13123477) and Vistry Partnerships Limited (Company Number 00800384).

During the 2020/21 and 2021/22 Financial years the Council issued Loans with a total value of £60m to Crewe Lane Kenilworth JV LLP (Company number OC426015) to facilitate the construction of 620 dwellings in Kenilworth.

The Council's Loan transactions have been included in the Council's Financial Statements. All loan interest and capital repayments will be serviced by and are the liability of Crewe Lane Kenilworth JV LLP and financial security and contingencies have been put in place in line with legal and financial advice. The interest payable to the Council for facilitation these loans is charged at a commercial rate and any surpluses will be retained by the Council to support service operation.

The Joint venture is planned to last at least 6 years up to 2028 and will provide 248 affordable and social housing dwellings which will be constructed and sold to the Council's HRA in phases. Milverton Homes Ltd will also purchase 62 dwellings from Crewe Lane LLP during this period.

Milverton Homes has £1 Capital invested in the Crewe Lane LLP Joint Venture. Milverton Homes has accounted for the £1 investment in its financial statements and has adopted the cost model of accounting for joint ventures in line with FRS 102 para 15.9 where Investments in Joint ventures are measured at cost, less any accumulated impairment losses.

### 37. 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.

	2022/23 £000	2021/22 £000
<b>Opening Capital Financing Requirement</b>	<b>259,055</b>	<b>184,995</b>
Prior year adjustment	(349)	-
<b>Capital Investment:</b>		
Property, Plant and Equipment	30,781	41,906
Investment Properties	-	151
Infrastructure Assets	1,543	-
Heritage Assets	-	-
Community Assets	6	-
Intangible Assets	117	328
Non-operational Surplus Assets	54	-
Revenue Expenditure Funded from Capital Under Statute:		
- Grants	2,080	6,695
- Long-term loans	20,917	50,100
Finance Leases Principal	-	-
<b>Sources of Finance:</b>		
Capital Receipts	(7,862)	(2,960)
Government grants and other contributions	(4,002)	(9,814)
Major Repairs Reserve	(5,747)	(5,994)
Sums set aside from revenue	(2,790)	(6,008)
Minimum Revenue Provision	(489)	(344)
<b>Closing Capital Financing Requirement</b>	<b>293,314</b>	<b>259,055</b>
<b>Explanation of movements in year</b>		
Increase underlying need to borrow (unsupported by Government financial assistance)	34,259	74,060
<b>Increase in Capital Financing Requirement</b>	<b>34,259</b>	<b>74,060</b>

### 38. 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 2023 £000	31 March 2022 £000
Not later than one year	336	355
Later than one year and not later than five years	857	881
Later than five years	674	644
	<b>1,867</b>	<b>1,880</b>



### **39. Impairment / Revaluation Losses**

Enquiries were made of Service Areas, the Asset Management Team and our external valuers, Carter Jonas, to identify any additional properties that were physically impaired and which, therefore, required revaluation during 2022/23 to reflect their reduced capacity to operate at previous levels.

1 Warwick Street, Royal Leamington Spa, was purchased in 2019 and remains undeveloped for housing purposes. During 2023 a survey by Carter Jonas identified a few structural concerns, which resulted in Carter Jonas being asked to revalue this 'asset under construction', rather than disclose it at historic cost, as would be normal practice. This resulted in a revaluation reduction from £3.155m to £1.635m.

The Council is working to repair the Royal Pump Rooms roof, including obtaining external funding, which requires a substantial investment (£1m+) but this has not affected its ability to operate and the valuation in the balance sheet of this property reflects this issue.

Linen Street multi-storey car park in Warwick has a nil carrying value, so is not subject to further impairment.

Over the last few years, Covent Garden multi storey car park in Royal Leamington Spa has been valued on the basis that increasing floors have become unusable, and the whole site has been valued to reflect the multi-storey element now being fully closed.

During 2022/23 the Council reviewed many of the historic cost assets held for 'community asset', 'infrastructure', 'open spaces' (within 'Other Land & Buildings') or equipment uses, and in some cases the assets had become subsumed within other assets. These assets have been 'written off' to nil value, which has resulted in substantial notional charges to the Council services, although these do not impact on the overall Council financing requirement, being reversed 'below the line', in accordance with local government accounting rules.

### **40. 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.

In April 2020, the Council paid the Warwickshire Pension Fund £7.477m, taking advantage of the opportunity to pay its estimated employer contributions covering the three year period April 2020 to March 2023 as a single payment in order to receive a discount on its contributions. Statutory regulations require the Council to account for its contributions on the basis of the actuarial certificate issued as part of the last triennial valuation. The amount covering the latter year of the payment has been transferred to Pensions Liabilities which has led to the difference in balances between the Pensions Liabilities and the Pensions Reserve.

The three year early payment of £7.477m was based on an assumed level of staff with a proviso that the pension fund could seek an additional payment for variations to the number of employees who were members of the pension scheme. A provision has been set aside to cover any further payments due to the pension fund for the year.

## 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	2022/23 £000	2021/22 £000
<i>Cost of Services:</i>		
- Current service cost	6,239	6,870
- Past service costs	-	155
- (Gain) / loss from settlements	-	-
Financing and Investment Income and Expenditure:	-	
- Net interest expense	1,063	1,060
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,302</b>	<b>8,085</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)	6,028	(9,349)
- Actuarial gains and losses arising on changes in demographic assumptions	(1,223)	(835)
- Actuarial gains and losses arising on changes in financial assumptions	(71,933)	(12,673)
- Other	10,939	1,816
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(48,887)</b>	<b>(12,956)</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	(7,302)	(8,085)
<b>Actual amount charged against the General Fund and HRA Balances for pensions in the year:</b>		
Employer's contributions payable to scheme	326	611

## 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:

	2022/23 £000	2021/22 £000
Present value of the defined benefit obligation	144,810	199,653
Fair value of plan assets	(157,548)	(163,178)
Other movements in the liability / asset		
<b>Net liability arising from defined benefit obligation</b>	<b>(12,738)</b>	<b>36,475</b>

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

	2022/23 £000	2021/22 £000
<b>Opening fair value of scheme assets</b>	<b>163,374</b>	<b>154,840</b>
Opening balance adjustment *		
Interest income	4,355	3,056
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	(6,229)	9,349
The effect of changes in foreign exchange rates	-	-
Contributions from employer	326	611
Contributions from employees into the scheme	902	876
Benefits paid	(5,180)	(5,358)
<b>Closing fair value of scheme assets</b>	<b>157,548</b>	<b>163,374</b>

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

	2022/23 £000	2021/22 £000
<b>Opening balance at 1 April</b>	<b>199,653</b>	<b>204,686</b>
Opening balance adjustment *		
Current service cost	6,239	6,870
Past service cost	-	155
Interest cost	5,413	4,116
Contributions from scheme participants	902	876
Remeasurement (gains) / losses:	-	-
- Actuarial gains / losses arising from changes in demographic assumptions	(1,223)	(835)
- Actuarial gains / losses arising from changes in financial assumptions	(71,933)	(12,673)
- Other experience	10,939	1,816
Benefits paid	(5,180)	(5,358)
<b>Closing balance at 31 March</b>	<b>144,810</b>	<b>199,653</b>

## Local Government Pension Scheme assets comprised:

	31 March 2023 Quoted prices in active markets £000	31 March 2023 Quoted prices not in active markets £000	31 March 2023 Total £000	31 March 2022 Quoted prices in active markets £000	31 March 2022 Quoted prices not in active markets £000	31 March 2022 Total £000
Cash and cash equivalents	1,891	-	1,891	3,422	-	3,422
Equity Securities (by industry type):	-	-	-	-	-	-
- Consumer	-	-	-	-	-	-
- Manufacturing	-	-	-	-	-	-
- Energy and Utilities	-	-	-	-	-	-
- Financial Institutions	-	-	-	-	-	-
- Health and Care	-	-	-	-	-	-
- Information Technology	-	-	-	-	-	-
- Other	-	67	67	-	70	70
<b>Sub-total equity</b>	-	67	67	-	70	70
Debt Securities						
- Corporate bonds (investment grade)	10,483	-	10,483	10,104	-	10,104
- Corporate bonds (non-investment grade)	3,382	-	3,382	3,318	-	3,318
- UK Government	5,514	-	5,514	7,662	-	7,662
- Other	-	5,829	5,829	-	4,864	4,864
<b>Sub-total debt securities</b>	19,378	5,829	25,208	21,084	4,864	25,948
Property:						
- UK Property	14,494	-	14,494	16,016	-	16,016
- Overseas Property	-	-	-	54	-	54
<b>Sub-total property</b>	14,494	-	14,494	16,070	-	16,070
Private Equity:						
- All	-	11,659	11,659	-	11,597	11,597
Investment Funds and Unit Trusts:						
- Equities	79,022	-	79,022	83,076	-	83,076
- Bonds	14,179	-	14,179	14,739	-	14,739
- Hedge Funds	-	-	-	-	-	-
- Commodities	-	-	-	-	-	-
- Infrastructure	-	11,028	11,028	-	8,255	8,255
- Other	-	-	-	-	-	-
<b>Sub-total Investments</b>	93,201	11,028	104,230	97,815	8,255	106,070
<b>TOTAL ASSETS</b>	<b>128,965</b>	<b>28,583</b>	<b>157,548</b>	<b>138,391</b>	<b>24,786</b>	<b>163,177</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 2023.

The significant assumptions used by the actuary have been:

		2022/23	2021/22
<b>Mortality assumptions:</b>	<b>Longevity at 65 for Current Pensioners:</b>		
	Men	21.6 years	21.6 years
	Women	24.4 years	24.1 years
	<b>Longevity at 65 for Future Pensioners</b>		
	Men	22.6 years	22.7 years
	Women	26.0 years	25.9 years
Rate of inflation		3.30%	3.85%
Rate of increase in salaries		3.95%	4.00%
Rate of increase in pensions		2.95%	3.20%
Rate of discounting scheme liabilities		4.75%	2.70%

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
Longevity (increase or decrease in 1 year)	5,792	(5,792)
Rate of increase in salaries (increase or decrease by 0.1%)	288	(288)
Rate of increase in pensions (increase or decrease by 0.1%)	2,185	(2,185)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,438	(2,438)

## 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 16 years. Funding levels are monitored on an annual basis, with the triennial valuation based as at 31 March 2023.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2022/23 (19 years 2021/22).

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

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

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. 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 credit criteria at 31 March 2023 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	Portfolio at 31 March 2023 £000	Proportion of Portfolio at 31 March 2023
	(FITCH or equivalent)						
Specified instrument (repayable within 12 months):							
UK Govt. / Local Authorities / Public Corporations / Nationalised Industries	n/a		n/a	£10m	365 days	3,000	8.9%
Bank - Private UK (includes Fixed Term Deposits, CD's and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£5m	365 days	-	0.0%
	F1	A+	UK Sovereign	£7m	365 days	19,600	57.8%
	F1	AA- & above	UK Sovereign	£8m	365 days	6,941	20.5%
Money Market Fund (LVNAV)	AAAm / Aaa-mf/AAAmmf		n/a	£10m	liquid	1,342	4.0%
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1		n/a	£6m	liquid	3,000	8.8%
Non-specified instruments							
Building Societies- assets >£500m	Unrated category C		n/a	£1m	3 months	-	0.0%
Corporate Equity Funds		n/a	Low Risk	£4m	10 years	-	0.0%
					Total	33,883	100.0%

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 2023, sundry debts outstanding stood at £2.01m of which £0.942m related to general debts and £1.068m 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 £0.079m and £0.596m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.01m less £0.942m 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 based on the 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	5.26%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount A £	Loss rate B	Lifetime expected credit losses A x B £
Over 1 year	60,177	100%	60,200
Current year	357,162	5.26%	18,800
	<b>Loss allowance</b>		<b>79,000</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	23.20%
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 A £	Loss rate B	Lifetime expected credit losses A x B £
01 - 03 months	65,100	23.60%	15,400
04 - 06 months	55,400	35.00%	19,400
07 - 09 months	59,600	40.00%	23,800
10 - 12 months	39,600	45.00%	17,800
Over 1 year	945,800	55.00%	520,200
	<b>Loss allowance</b>		<b>596,600</b>



## 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 2023 using the methodology recommended by its treasury advisers in order to comply with IFRS 9.

The calculated potential impairment of £0.012m equates to 0.04% of total investments of £34.967m. This has been assessed as being immaterial and no impairment of the investments has been made.

During 2022/23, the Council made long term loans for capital expenditure amounting to £10.917m to various organisations. Due diligence was carried out to ensure that the borrower's 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 2023, outstanding arrears in respect of Council house rents and charges stood at £2.758m; again, an assessment of the default rate on these arrears has been made and a bad debts provision of £2.094m 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 1 and 39 years and the average rate of the portfolio is 2.75%. 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 2022/23 outturn a 0.25% movement upwards in interest rates would have produced an additional £0.150m interest. Conversely the same movement downwards would have reduced investment interest, but this would have been tempered by some investments falling to nil interest.

## **Price Risk**

The Council invests in Certificates of Deposits 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. No purchases have been made in 2021/22 or 2022/23.

## **42. Contingent Assets and Liabilities**

### **Contingent Liabilities**

As at 31 March 2023 the Council has no contingent liabilities.

### **Contingent Assets**

As at 31 March 2023 the Council identified the following material contingent assets:

#### **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 2023, Warwick District Council held £0.359m 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.

2021/22 £000		2022/23 £000	2022/23 £000
	<b>Expenditure</b>		
6,240	Repairs and Maintenance	10,421	
7,762	Supervision and Management	8,756	
369	Rents, Rates, Taxes and Other Charges	408	
(32)	Increased Provision for Bad Debts	109	
6,150	Depreciation and Impairment of Non-Current Assets	6,554	
-	- Debt Management Costs	-	
-	- Amortisation of Intangible Assets & Revenue Expenditure Funded from Capital Under Statute		
<b>20,489</b>	<b>Total Expenditure</b>		<b>26,248</b>
	<b>Income</b>		
(25,806)	Dwelling Rents	(27,253)	
(1,094)	Non-Dwelling Rents	(1,063)	
(1,222)	Charges for Services and Facilities	(1,227)	
(403)	Contributions Towards Expenditure	(102)	
<b>(28,525)</b>	<b>Total Income</b>		<b>(29,645)</b>
<b>(8,036)</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(3,397)</b>
74	HRA services' share of Corporate and Democratic Core		74
21	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		21
<b>(7,941)</b>	<b>Net Income for HRA Services</b>		<b>(3,302)</b>
(2,221)	Gain or Loss on sale of HRA non-current assets		(2,533)
4,766	Interest payable and similar charges		4,766
169	Net interest on the net defined benefit asset or liability		172
(15)	HRA Interest and Investment Income		153
-	- Capital Grants and Contributions Receivable		-
<b>(5,242)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(744)</b>

## Movement on the Housing Revenue Account 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.

2021/22 £000		Notes	2022/23 £000	2022/23 £000
<b>1,513</b>	<b>Balance on the HRA at the end of the previous year</b>			<b>5,157</b>
5,244	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	HRA I&E	747	
(1,070)	Adjustments between accounting basis and funding basis under statute	Main Notes 9	(6,278)	
<b>4,174</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>		<b>(5,531)</b>	
(530)	Transfers (to) or from reserves	Main Note 10	(426)	
<b>3,644</b>	<b>Increase or (decrease) in year on the HRA</b>			<b>(5,957)</b>
<b>5,157</b>	<b>Balance on the HRA at the end of the current year</b>			<b>(800)</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:

	31/03/2023 Nos.	31/03/2022 Nos.
Houses	2,454	2,453
Flats	2,388	2,402
Bungalows	672	672
	<b>5,514</b>	<b>5,527</b>

The change in housing stock can be summarised as follows:

	2022/23 Nos.	2021/22 Nos.
<b>Housing Stock at 1 April</b>	<b>5,527</b>	<b>5,462</b>
New build	37	91
Buy Back Purchases	1	3
Reclassification from non-operational to operational stock	-	-
Right to Buy sales	(31)	(26)
Other Sales - Shared Ownership	(20)	(3)
<b>Housing Stock at 31 March</b>	<b>5,514</b>	<b>5,527</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 2023 £000	1 April 2022 £000
Council Dwellings	453,493	438,085
Other Properties	10,505	7,818
Land	629	299
Equipment	433	433
Assets Under Construction	41,217	59,006
Surplus Assets	-	1,347
Assets Held for Sale	-	-
<b>Total Balance Sheet Items</b>	<b>506,277</b>	<b>506,988</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.

	31/03/2023 £000	31/03/2022 £000
Vacant Possession Value of Dwellings (Open Market Value)	1,104,681	1,069,632
Balance Sheet Value of Dwellings (Social Housing Value) (40% of Open Market Value)	(455,565)	(438,085)
<b>Economic Cost to Government</b>	<b>649,116</b>	<b>631,547</b>

## 4. Summary of Capital Expenditure Funding Sources

	2022/23 £000	2021/22 £000
Prudential Borrowing	3,429	20,727
Government Grant	622	3,526
Usable Capital Receipts	3,399	2,560
Revenue and Other Contributions	819	3,184
Major Repairs Reserve	5,747	5,994
<b>Total Capital Expenditure Funding</b>	<b>14,015</b>	<b>35,991</b>

## 5. Revaluations Impairment

A full valuation of the Housing Revenue Account dwellings, other properties and land was undertaken for the 31<sup>st</sup> March 2023 valuation by the Council's Valuer, Carter Jonas LLP. Revaluation Losses of -£16.105m gains of £28.381m were credited to the Housing Revenue Account Revaluation Reserve resulting in a net gain of £12.275m. There were impairment charges of £1.125m within the revaluation losses of £16.105m for the financial year linked to the decanting of one of the Council's High Rise Blocks.

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 and Local Government (MHCLG) previously known as the Department for Communities and Local Government (DCLG). Currently, this is just 40% of the Open Market Value.

## 6. Summary of Capital Receipts

	2022/23 £000	2021/22 £000
Sale of Council Houses	3,869	3,561
Other Non RTB Sales	2,188	344
<b>Total Capital Receipts</b>	<b>6,057</b>	<b>3,905</b>

## 7. Depreciation of Fixed Assets

	2022/23 £000	2021/22 £000
Council Dwellings	5,996	5,604
Other Buildings	510	498
Equipment	48	48
<b>Total Depreciation</b>	<b>6,554</b>	<b>6,150</b>

## 8. Arrears and Provision for Loss Allowances

	2022/23 £000	2021/22 £000
<b>HRA Rent &amp; Charges Arrears</b>		
Current Tenant Rent Arrears	1,248	1,334
Former Tenant Rent Arrears	860	725
<b>Dwelling Rent Arrears</b>	<b>2,108</b>	<b>2,059</b>
Garage Rent Arrears	49	51
Supporting People Charge Arrears	19	20
Court Cost Arrears	166	145
Overpayment of Benefit Arrears	128	135
Other Arrears	288	229
<b>Total Arrears</b>	<b>2,758</b>	<b>2,639</b>
<b>Prepayments</b>		
Dwelling Rent Prepayments	(520)	(475)
Garage Rent Prepayments	(15)	(13)
Other Prepayments	(7)	(4)
<b>Total Prepayments</b>	<b>(542)</b>	<b>(492)</b>
<b>Net Arrears</b>	<b>2,216</b>	<b>2,147</b>
<b>HRA Bad Debt Provisions</b>		
Rent Bad Debt Provision	(1,833)	(1,758)
Court Cost Bad Debt Provision	(261)	(222)
<b>Total Bad Debt Provisions</b>	<b>(2,094)</b>	<b>(1,980)</b>
<b>Arrears as a proportion of gross rent net of housing benefit</b>	<b>2022/23</b>	<b>2021/22</b>
Current Tenant Rent Arrears	5.61%	6.65%
Net Arrears	9.94%	10.59%

## 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.

2021/22 Council Tax £000	2021/22 Business Rates £000	2021/22 Total £000		2022/23 Council Tax £000	2022/23 Business Rates £000	2022/23 Total £000
<b>Income</b>						
(112,216)	-	(112,216)	Council Tax Receivable	(117,835)	-	(117,835)
-	(59,573)	(59,573)	Business Rates Receivable	-	(65,703)	(65,703)
-	-	-	Transitional Protection Payments Receivable	-	(467)	(467)
<b>(112,216)</b>	<b>(59,573)</b>	<b>(171,789)</b>	<b>Total Income</b>	<b>(117,835)</b>	<b>(66,170)</b>	<b>(184,005)</b>
<b>Expenditure</b>						
<b>Precepts and Demands:</b>						
-	34,737	34,737	Central Government	-	32,493	32,493
85,749	6,947	92,696	Warwickshire County Council	89,728	6,499	96,227
14,145	-	14,145	The Office of the Warwickshire Police and Crime Commissioner	14,817	-	14,817
11,726	27,789	39,515	Warwick District Council	11,977	25,995	37,972
<b>111,620</b>	<b>69,473</b>	<b>181,093</b>		<b>116,522</b>	<b>64,987</b>	<b>181,509</b>
<b>Distribution of earlier years' Collection Fund Surplus/(Deficit):</b>						
(284)	(2,662)	(2,946)	Warwickshire County Council	(168)	(188)	(356)
-	(13,312)	(13,312)	Central Government	-	(942)	(942)
(46)	-	(46)	The Office of the Warwickshire Police and Crime Commissioner	(26)	-	(26)
(39)	(10,649)	(10,688)	Warwick District Council	(23)	(753)	(776)
<b>(369)</b>	<b>(26,624)</b>	<b>(26,993)</b>		<b>(217)</b>	<b>(1,883)</b>	<b>(2,100)</b>
<b>Charges to the Collection Fund:</b>						
331	271	602	Write-offs of uncollectable amounts	314	527	841
-	217	217	Warwick District Council: Cost of Collection Allowance	-	217	217
-	-	-	Increase / (Decrease) in Bad Debts Provision	300	-	300
-	(718)	(718)	Increase / (Decrease) in Provision for Appeals	-	340	340
-	60	60	Transitional Protection Payments payable	-	-	-
-	15	15	Renewable Energy Disregard	-	69	69
-	-	-	Interest payable	-	-	-
<b>331</b>	<b>(155)</b>	<b>176</b>		<b>614</b>	<b>1,153</b>	<b>1,767</b>
<b>Movement On Fund:</b>						
(634)	(16,879)	(17,513)	Net (Surplus) / Deficit for Year	(916)	(1,914)	(2,830)
1,161	22,168	26,831	(Surplus) / Deficit brought forward 1 April	527	5,290	9,319
<b>527</b>	<b>5,290</b>	<b>9,319</b>	<b>(Surplus) / Deficit carried forward 31 March</b>	<b>(389)</b>	<b>3,376</b>	<b>6,489</b>



# Notes to the Collection Fund

## 1. General

The Collection Fund is a statutory account which shows the transactions of the billing authority (Warwick District Council) in terms of Council Tax and Business Rates and demonstrates how income from these sources is distributed to precepting bodies and the General Fund. The surplus or deficit on the Collection Fund at the 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 eight 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 2022/23 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
@	-	9	-	(1.20)	7.80	5 / 9	4.33
A	4,995	16	406	(1,512.40)	3,904.60	6 / 9	2,603.07
B	12,360	43	683	(2,863.00)	10,223.00	7 / 9	7,951.22
C	18,256	22	640	(2,908.20)	16,009.80	8 / 9	14,230.93
D	13,161	(31)	444	(1,859.50)	11,714.50	9 / 9	11,714.50
E	7,934	(23)	401	(1,247.70)	7,064.30	11 / 9	8,634.14
F	5,335	10	114	(474.70)	4,984.30	13 / 9	7,199.54
G	4,478	(25)	68	(316.20)	4,204.80	15 / 9	7,008.00
H	448	(21)	8	(29.70)	405.30	18 / 9	810.60
	<b>66,967</b>	<b>-</b>	<b>2,764</b>	<b>(11,212.60)</b>	<b>58,518.40</b>		<b>60,156.33</b>
Adjustment for new properties, collection rates, changes during the year for successful							57.26
Less Council Tax Support Scheme							(3,814.03)
<b>Council Tax Base 2022/23</b>							<b>56,399.56</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 49.9p for businesses with a rateable value of less than £50,999.
- The Non-Domestic Rate Multiplier of 51.2p for other businesses with a rateable value of £51,000 or greater.

The total rateable value of properties in the Warwick District area was £176,809,021 at 31 March 2023.

# Group Accounts

## Introduction

The Council is a complex organisation and undertakes a broad range of activities, often in conjunction with external organisations. In some cases, the Council has an interest in these organisations demonstrated through ownership or control/significant influence.

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities, and the resources employed in carrying out those activities.

"A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent."

Milverton Homes Ltd is classified as a subsidiary of Warwick District Council and has therefore been consolidated and the required group accounts produced.

The financial statements of Milverton Homes Ltd have been consolidated with those of Warwick District Council on a line-by-line basis which has eliminated intra-group balances, transactions, income and expenditure between the Council and the subsidiary

The Council incorporated Milverton Homes Ltd Company number 13123477 during 2020/21 as a wholly owned subsidiary company with the nature of the business being 4110 – Development of building projects and the provision of privately rented housing. Incorporation was achieved with Companies House on 8th January 2021.

The Accounts for Milverton Homes Ltd 2022/23 have been produced externally by TC Group (formally known as FORTUS Audit Ltd), Chartered Accountants & Statutory Auditors.

The Group Accounts include the following:

- Group Comprehensive Income and Expenditure Statement – shows all resources related to providing services and managing the Group including expenses and income on an accrual's basis.
- Group Movement in Reserves - shows the movement in the year on the usable and unusable reserves together with the Group reserves.
- Group Balance Sheet - reports the Group financial position at the year-end.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year.
- Notes to the Group Accounts where the balances are materially different to those in the single entity accounts or material in nature.

## Group Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the Group accounting cost in the year of providing services and operations

Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure 2021/22 £000	Portfolio	Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Gross Income 2022/23 £000
16,096	(7,990)	8,106	Neighbourhood & Assets	20,027	(8,772)	11,255
5,424	(1,206)	4,219	Safer Communities, Leisure & Environment	10,527	(885)	9,642
11,154	(5,572)	5,582	Place, Arts & Economy	17,290	(7,595)	9,695
3,952	(2,252)	1,700	Finance	10,517	(3,329)	7,188
5,202	(2,855)	2,347	Housing Services - GF	5,398	(2,605)	2,793
24,249	(28,554)	(4,306)	Housing Services - HRA	26,726	(30,417)	(3,691)
22,514	(21,575)	939	Customer & Digital Services	21,793	(20,715)	1,078
96	(85)	11	People and Communication	152	(92)	60
8,409	(648)	7,761	Strategic Leadership	5,539	(410)	5,129
<b>97,096</b>	<b>(70,737)</b>	<b>26,358</b>	<b>Cost of Services - continuing operations</b>	<b>117,969</b>	<b>(74,820)</b>	<b>43,149</b>
2,798	(6,936)	(4,139)	Other Operating Income and Expenditure	2,002	(6,361)	(4,359)
6,138	(2,301)	3,836	Financing and Investment Income and Expenditure	6,710	(9,940)	(3,230)
5,408	(37,484)	(32,076)	Taxation and Non-Specific Grant Income and Expenditure	-	(28,048)	(28,048)
-	-	<b>(6,020)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	-	-	<b>(35,637)</b>
-	-	-	Associates & Joint Ventures Accounted for on an Equity Basis	-	-	-
-	-	-	Tax Expenses of Subsidiaries	-	-	-
-	-	-	<b>Group Surplus/Deficit</b>	-	-	-
-	-	(26,091)	(Surplus) or Deficit on revaluation of Non Current Assets	-	-	(33,919)
-	-	8,103	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	-	-	10,109
-	-	-	Surplus or deficit on revaluation of available for sale financial assets	-	-	-
-	-	(20,845)	Remeasurement of the net defined benefit liability / (asset)	-	-	(53,709)
-	-	-	Share of Other Comprehensive Income & Expenditure of Subsidiaries, Associates & Joint Ventures	293	-	293
-	-	<b>(38,833)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>293</b>	-	<b>(77,226)</b>
-	-	<b>(44,853)</b>	<b>Total Comprehensive Income and Expenditure</b>	-	-	<b>(112,863)</b>

## Group 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 group.

2022/23	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's Share of Reserves of Subsidiaries	Total Group Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022 carried forward	30,217	31,521	13,396	6,150	6,172	87,456	360,558	448,014	-	448,014
Movement in reserves during 2022/23	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	(12,378)	5,045	-	-	-	(7,333)	78,410	71,077	-	71,077
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	15,419	(6,278)	(1,841)	806	1,443	9,549	(9,455)	94	-	94
Adjustments Between Group Accounts & Authority Accounts	-	-	-	-	-	-	-	-	(878)	(878)
Increase / (Decrease) in 2022/23	3,041	(1,233)	(1,841)	806	1,443	2,216	68,955	71,171	(878)	70,293
Balance at 31 March 2023 carried forward	33,258	30,288	11,555	6,956	7,615	89,672	429,513	519,185	(878)	518,307
2021/22	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's Share of Reserves of Subsidiaries	Total Group Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021 carried forward	36,203	30,952	7,830	5,994	5,008	85,987	317,256	403,243	-	403,243
Movement in reserves during 2021/22	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	4,380	1,638	-	-	-	6,018	34,594	40,612	-	40,612
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	(10,366)	(1,069)	5,566	156	1,164	(4,549)	8,708	4,159	-	4,159
Adjustments Between Group Accounts & Authority Accounts	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in 2021/22	(5,986)	569	5,566	156	1,164	1,469	43,302	44,771	0	44,771
Balance at 31 March 2022 carried forward	30,217	31,521	13,396	6,150	6,172	87,456	360,558	448,014	0	448,014

## Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its subsidiary as a whole. It shows the value of group assets and liabilities at the end of the financial year.

31 March 2022		Group Total 31 March 2023
£000		£000
	<b>Operational Assets:</b>	
438,085	Council Dwellings	453,493
8,117	HRA Land and Buildings	11,134
72,791	Other Land and Buildings	82,455
5,231	Vehicles, Plant, Furniture and Equipment	11,789
4,192	Infrastructure Assets	1,624
7,712	Community Assets	939
	<b>- Non-Operational Assets</b>	<b>-</b>
1,610	Surplus Assets	242
46,682	Assets under Construction	51,130
<b>584,420</b>	<b>Property, Plant and Equipment</b>	<b>612,806</b>
9,091	Heritage Assets	9,017
10,301	Investment Properties	14,931
533	Intangible Assets	362
100	Long Term Investments	99
277	Long Term Investment in Subsidiaries, Associates & Joint Ventures	0
58,719	Long Term Debtors	74,501
<b>663,441</b>	<b>Long Term Assets</b>	<b>711,716</b>
25,528	Short Term Investments	25,804
	- Assets Held for Sale	-
15	Inventories	20
9,143	Short Term Debtors	18,204
49,992	Cash and Cash Equivalents	10,061
<b>84,678</b>	<b>Current Assets</b>	<b>54,088</b>
(39,577)	Short Term Creditors	(29,745)
(254)	Provision Liabilities payable in less than 1 year	(943)
<b>(39,831)</b>	<b>Current Liabilities</b>	<b>(30,688)</b>
(153)	Long Term Creditors	(153)
(3,637)	Provision Liabilities payable in more than 1 year	(5,756)
(208,157)	Long Term Borrowing	(208,157)
	- Other Long Term Liabilities	-
(11,852)	Capital External Grants/Contributions in Advance	(15,089)
(36,475)	Net Pensions Liability	10,048
<b>(260,274)</b>	<b>Long Term Liabilities</b>	<b>(219,107)</b>
<b>448,014</b>	<b>Net Assets</b>	<b>516,010</b>
87,456	Usable Reserves	86,495
360,558	Unusable Reserves	429,515
<b>448,014</b>	<b>Total Reserves</b>	<b>516,009</b>

## Group Cash Flow Statement

The Cash Flow Statement shows the Group changes in cash and cash equivalents during the reporting period. No Dividends were paid out by Milverton Homes in 2022/23.

2021/22 £000		Total £000
(10,399)	Net (Surplus) or deficit on the provision of services	7,331
(93,918)	Adjust net (surplus) or deficit on the provision of services for non cash movements	3,832
7,208	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	10,112
<b>(97,109)</b>	<b>Net cash flows from Operating Activities</b>	<b>21,275</b>
132,855	Investing Activities	18,733
(57,347)	Financing Activities	(356)
<b>(21,602)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>39,652</b>
(28,390)	Cash and cash equivalents at the beginning of the reporting period	(49,992)
<b>(28,390)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(10,339)</b>

## Notes to the Group Accounts

### Explanatory Notes to the Group Accounts

The relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the Group entities into the Council's accounts or are material in nature.

#### **1. Group Accounting Policies**

Milverton Homes Ltd has prepared 2022/23 accounts using accounting policies consistent with those applied by the Council.

Milverton Homes Ltd accounting policies differ to the Councils where Taxation is concerned, Milverton Homes is not currently VAT Registered and is liable to pay Corporation Tax.

Milverton Homes Financial Statement have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006.

Both entities have an aligned financial year end of 31 March.

Warwick District Council is the immediate parent company and ultimate controlling party of Milverton Homes Limited is its sole shareholder.

#### **2. Basis of Preparation**

The Statement of Accounts is prepared on a "going concern" basis. This is the assumption that the Council and Milverton Homes Ltd will continue in operational existence for the foreseeable future.

### **3. Inclusion within the Group Accounts**

The Council has business relationships with a number of entities over which it has varying degrees of control or influence. These are classified into the categories of subsidiaries, associates, and joint ventures. The meaning of these terms is outlined below:

- Subsidiary - "A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent." Milverton Homes Ltd is the wholly owned Subsidiary of Oldham Council and accounts have therefore been consolidated.
- Associate - "An associate is an entity over which an investor (the Council) has significant influence."
- Joint Venture – "A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement"

The Council does not currently have any other material associate or joint venture arrangements with any other entities that need to be consolidated into the Group Accounts.

The Council does have a number of Joint Operations which have not been included in the Group Accounts; more detail regarding each of these organisations can be found in the Related Parties Note.

### **4. Consolidation of Subsidiaries**

As a subsidiary entity, Milverton Homes Ltd Accounts have been consolidated on a line-by-line basis with all intra-group transactions and balances removed.

### **5. Related Parties - Other Entities linked with the Subsidiary and Council**

Crewe Lane LLP is a housing development vehicle and is a 50/50 Joint Venture between Milverton Homes Limited (Company Number 13123477) and Vistry Partnerships Limited (Company Number 00800384).

During the 2020/21 and 2021/22 Financial years the Council issued Loans with a total value of £60m to Crewe Lane Kenilworth JV LLP (Company number OC426015) to facilitate the construction of 620 dwellings in Kenilworth.

The Council's Loan transactions were included in the Council's 2020/21 Financial Statements. All loan interest and capital repayments will be serviced by and are the liability of Crewe Lane Kenilworth JV LLP and financial security and contingencies have been put in place in line with legal and financial advice. The interest payable to the Council for facilitation these loans is charged at a commercial rate and any surpluses will be retained by the Council to support service operation.

The Joint venture is planned to last at least 6 years up to 2028 and will provide 248 affordable and social housing dwellings will be constructed and sold to the Council's HRA in phases. Milverton Homes Ltd will also purchase 62 dwellings from Crewe Lane LLP during this period.

Milverton Homes has £1 Capital invested in the Crewe Lane LLP Joint Venture and there have been no material transactions between the Crewe Lane LLP and Milverton Homes Ltd in the 2022/23 financial year. Milverton Homes has accounted for the £1 investment in its financial statements and has adopted the cost model of accounting for joint ventures in line with FRS 102 para 15.9 where Investments in Joint ventures are measured at cost, less any accumulated impairment losses.



## **6. Risks**

Milverton Homes depends on the Council for Ongoing Financial Support. The Council is committed to providing this support in the short to medium term as Milverton Homes Ltd assists with the provision of market rental and affordable housing in Warwick District. Provision of expected loan drawdowns and other financial support has been incorporated into the Council's cash flow forecasts and medium-term financial plans

## **7. Property Plant & Equipment**

Milverton Homes has not yet adopted any housing stock during the 2022/23 financial year.

# Glossary

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**

Council's 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 council's 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 council's.

**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 council's must have a council tax reduction scheme, which allows for council tax reductions for 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 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 council's) 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)**

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 Auditors Statement

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

### Report on the audit of the financial statements

#### Disclaimer of opinion

We were engaged to audit the financial statements of Warwick District Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, in our auditor's report for the year ended 31 March 2022, we issued a disclaimer of opinion as we were unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's capital asset records were free from material misstatement. This matter has not been resolved in the current year and therefore its impact could be both material and pervasive to the current year financial statements.

We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' 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.

## **Opinion on other matters required by the Code of Audit Practice**

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether 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 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 and the Head of Finance**

As explained more fully in the Council's Responsibilities set out on page 23, 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 Head of Finance. The Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Head 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 Head of Finance is responsible for assessing the Authority's and the group'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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group 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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

#### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter, except on 27 August 2024 we identified a significant weakness in the Authority's arrangements to monitor and manage its financial sustainability for the years ended 31 March 2022 and 2023. During 2021/22 the Authority implemented a new general ledger system. The draft financial statements for the 2021/22 year, the first prepared using the new system, contained a large number of significant errors, including capital issues which have not been resolved. We recommended that the Authority:

- ensures that its finance team is sufficiently resourced, with appropriate skills, to ensure that the issues that delayed the completion of the 2021/22 financial statements audit are resolved; and

- prepares timely, high quality financial statements for later years, supported by appropriate reports and working papers to enable audits to proceed with minimal issues.

## **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.

## **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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of Warwick District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **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 44 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.

# Annual Governance Statement

## **Warwick District Council Annual Governance Statement 2022/23**

### **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 effective leadership and high standards of behaviour.
- 1.4 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 and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.
- 2.2 The format and scope of this Statement follows that prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### **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 try 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 as well as 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, not absolute, assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE<sup>1</sup> Framework for Delivering Good Governance in Local Government (2016).
- 3.7 The Council's current business strategy (known as Fit for the Future (FFF)) sets out the Council's objectives and priorities for the district and how these are to be achieved. The strategy is based around five themes and is used to identify and prioritise the work programme up to 2023. Officers will shortly commence work on a draft business strategy in readiness for discussions with the new administration to be elected in May 2023.
- 3.8 Delivery of the Council's business strategy 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 include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and made available to all Councillors and Senior Officers through SharePoint. Through the last year training and individual support for Councillors on using this data has been offered.
- 3.9 Warwick District Council's Constitution establishes the roles and responsibilities for members of the Cabinet, Audit and Standards (A&S) Committee, Overview & Scrutiny (O&S) Committee, together with officer functions.
- 3.10 The Council revised its Scrutiny arrangements in May 2022, with scrutiny being undertaken by just one committee – the Overview and Scrutiny committee – with the scrutiny function being removed from the Finance and Audit Scrutiny Committee. The Finance and Audit Scrutiny Committee has now become the Audit and Standards Committee with the predominance of work being audit-related. In addition, a Budget Review Group was established, with a focus on reviewing key financial reports, including the setting of the fees and charges and the setting of the annual budgets for the General Fund and HRA. This has continued to present challenges in establishing a firm understanding of the new roles and functions.
- 3.11 The Chair of Overview and Scrutiny Committee has also identified several other issues with the operation of the revised Overview & Scrutiny Committee, as follows:
- The breadth and volume of the Committee's workload.
  - The presentation of Cabinet reports that mitigate effective scrutiny of them.
  - The range of skills that are required by the Committee to enable effective scrutiny, particularly in respect of financial expertise.
- With regard to the last item, there is a feeling that the issue is wider than this, being about member engagement in finance generally, and the intention is to make training in respect of this topic mandatory for all Councillors post- election.
- 3.12 Similarly, the Chair of Audit & Standards has expressed concerns, in particular regarding clarity around the roles of the two committees and the pattern of meetings.
- 3.13 The Constitution includes details of delegation arrangements, the Councillors' Code of Conduct, and protocols for councillor/officer relations. From May 2022 the Council has operated under the Local

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



Government Association Model Code of Conduct for Councillors. The Constitution is kept under review to ensure that it continues to be fit for purpose and within the year there has been a number of minor revisions. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed the Audit & Standards Committee to be responsible for such matters. 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.

- 3.14 The Constitution contains procedures, 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 ensure 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 Senior Leadership Team<sup>2</sup> (SLT).
- 3.15 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.
- 3.16 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.
- 3.17 The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team<sup>2</sup>, 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 Council's Annual Governance Report, together with how these deliver the same impact.
- 3.18 With regard to asset management, responsibility for this comes under the post of Head of Assets. As with all heads of services, the Head of Assets reports to one of the Deputy Chief Executives and is a member of the Senior Management Team.
- 3.19 The Cabinet provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved. In order to strengthen cross-party leadership of the Council's business, the Leader of the Council invited all the Council's Political Group Leaders to join the Cabinet on a non-Constitutional forum known as the Leadership Coordination Group (LCG). The role of the LCG is to try to ensure that there is a unified cross-party response to the challenges facing the Council. This forum is used to review all draft Cabinet reports and receive officer briefings on the most important Council matters. It has enabled the Council's business to continue unabated despite no one party or coalition having a majority.
- 3.20 The primary counterbalances to the Cabinet are the Audit and Standards Committee and the Overview & Scrutiny Committee. The roles of these committees include the opportunity to provide a robust challenge to the Cabinet.
- 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.

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<sup>2</sup> In the Council's case, this is likely to be the Senior Leadership Team. The Senior Leadership Team comprises heads of services together with the Chief Executive, Deputy Chief Executive and Programme Director for Climate Change.

- 3.22 The Audit and Standards Committee fulfils 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 Cabinet Councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.23 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received or the conduct of Councillors. The Audit and Standards Committee has responsibility for overseeing the investigation of complaints against Councillors. Mandatory training on Standards was provided to Members in May 2023. Overall, the Council continues to have a low volume of complaints but is committed to reviewing its complaints policy & procedures within the next 12 months to ensure they are robust.
- 3.24 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.
- 3.25 The Council has embedded 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.
- 3.26 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 skilled 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.
- 3.27 The individual performance appraisal system has been operated in the Council for many years, having been subject to regular review and refinement. Staff are measured against operational objectives that derive from the Business Strategy. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is provided to staff to enable them to undertake their role effectively and have the opportunity to develop.
- 3.28 Programme Advisory Boards (PABs) have further developed in the year with one for each Portfolio Area. The PABs act in an advisory/guidance capacity in developing the projects/policies of Warwick District Council and, in doing so, enable backbench members to have greater involvement in shaping the executive decisions of the Council, particularly on services, key projects and programmes (but not day-to day-operations). This also helps to utilise the skills, knowledge, and talent of Councillors in a more effective way. There were further refinements to their operation for the current municipal year and it is recognised there is still inconsistent delivery of them. The intention is for them to continue after the election in May but there needs to a clear understanding of their role and accountability for them. It is intended that the Democratic Services Manager will, after the election, meet with the Leader of the Council and fellow Group Leaders to discuss concerns regarding the operation of the PABs and that, prior to any appointment to the PAB, a briefing session will be provided for relevant Councillors on the role of the PABs. In addition, the Democratic Services Manager plans to attend the first meeting of each PAB to provide training and guidance on the role of Members working on PABs. Finally, the Democratic Services Manager intends to monitor the PAB

meetings and discuss with Group Leaders on a quarterly basis.

- 3.29 The Council has also established a joint advisory group of Councillors and a Joint Cabinet Committee with Stratford-on-Avon District Council in respect of the South Warwickshire Local Plan. These have continued despite the decision by Members from both Councils not to proceed with a proposed merger.
- 3.30 The Council strives to be open and accessible to the community. All communication is delivered across a combination of platforms, including website, social media, press releases, and printed leaflets and posters, to ensure it is accessible to all residents. In addition, consultations and surveys are carried out to encourage engagement and seek the views of residents when developing new policies and initiatives.
- 3.31 All Council committee meetings are open to the public, except where confidential matters are concerned and broadcast via YouTube. Agendas and minutes for Council meetings are placed on the website along with the Council's policies and strategies. Councillors are encouraged to submit questions in advance of committee meetings, to maximise the time available in formal meetings and enable greater focus on specific areas of concern. The responses to these pre meeting questions are made available to the public on the website.
- 3.32 There are terms of reference and constitutions set up for key partnerships that ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and Community Safety Partnership. Warwick District Council also works closely with a number of other councils and agencies and operates shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.33 The Council complies with the 2015 Local Government Transparency Code by publishing specific information on the Council's website in prescribed format. The Council strives to publish information on the website that is accessible and understandable for the public and continues to seek to make improvements in this. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG 2.1). The Council's website accessibility is independently audited every two years and in monthly automated tests carried out by Silktide (who rate all Local Authority websites according to their compliance with WCAG 2.1) WDC has consistently achieved the highest ranking of any Warwickshire local authority over the past 12 months.
- 3.34 As a key element of the governance framework, Internal Audit reviews are undertaken regularly on a range of activities including one undertaken annually on an alternating aspect of governance.
- 3.35 The Governance framework for Milverton Homes is set out in the Articles of Association and the Shareholders Agreement. The latter sets out the parameters for decision making and requires the company to prepare and submit for approval an annual Business Plan, audited accounts, quarterly performance reports, cash flow statements and cash flow forecasts for the company. Work is still ongoing to ensure that these crucial governance arrangements are in operation. Reserved Matters as detailed in Schedule 2 of the Agreement, may not be carried out without the prior written consent of WDC as Shareholder. The company is only able to carry out business in accordance with its Business Plan which must be approved annually by the Cabinet.
- 3.36 The Council has appointed two Council Directors in accordance with the Articles of Association. It retains the right to appoint any person to be a Council Director and may remove from office any Council Director. The Council appointed the Chair who has a casting vote if the number of votes for and against a proposal at a meeting of Directors are equal. The Directors must ensure that the Company keeps a record, in writing, for at least ten years from the date of the decision recorded of every unanimous or majority decision taken by the Directors. The Council, as sole shareholder, may

by special resolution direct the directors to take, or refrain from taking, specified actions.

- 3.37 A re-emerging issue for the new Council will be its role in the region and particularly its non-membership of the West Midlands Combined Authority (WMCA). At present it only has Observer status whereas all the other authorities in the region are either constituent or non-constituent members. In the context of the Trailblazer Deal the WMCA has just signed with Central Government, the Council may need to revisit what role it would like to play on this body and explore how it is possible to fulfil any aspiration it has.

#### **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 (also Deputy Chief Executive) has responsibility for overseeing the implementation and operation of the Council's 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 Cabinet, 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 Council for approval. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Cabinet and/or the Council. All reports to Cabinet, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.
- 4.5 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 2022/23 has concluded that, in overall terms, the Council has an effective internal control and governance environment. This statement is based, however, on those audits that were able to be completed - the inability to complete three planned ICT audits inevitably qualifies this assurance.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. 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.
- 4.8 Under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, Grant Thornton was

appointed as the Council's External Auditor with responsibility for reviewing the Council's Statements of Accounts for five years from 2018/19 to 2022/23. The auditors are still continuing their work on reviewing the 2021/22 Statement of Accounts and are expected to issue a formal opinion on the Council's arrangements, including those relating to securing value for money, before commencement of the 2022/23 audit, which is due to take place in December 2023. It is expected that they will conclude that the Council had made proper arrangements in all significant respects to secure economy, efficiency, and effectiveness in its use of resources.

- 4.9 In December 2022, under the same set of Regulations, Azets Audit Services Limited were appointed as the Council's External Auditor for the next set of five years - 2023/24 to 2027/28.
- 4.10 In December 2020, the Council's Executive approved the formation of a Local Housing Company. The Company – Milverton Homes Ltd. – is a separate legal entity, wholly-owned by the Council, set up to support the Council's housing development plans and objectives and provide the Council with housing- related commercial opportunities. The Company is 'Teckal-exempt' which means that, because it is wholly-owned by the Council and at least 80% of the work is for the Council, the Council can pass work to the Company without exposing it to competitive tender and the Company will be exempt from corporation tax.
- 4.11 The Teckal exemption is, however, subject to certain critical tests – the control test and the functional test. The control test means that the Council must control all the shares in the Company and exercise effective day-to-day control over its affairs; thus the relationship between the authority and the company is the same as the relationship between the authority and its internal services departments. The functional test ensures that the essential activities undertaken by the company are controlled by the Council.
- 4.12 Fortus, the External Auditor of Milverton Homes, is responsible for reviewing the accounts and financial systems of the company. The External Auditor supports the presentation of accounts to the shareholders at the Annual General Meeting (AGM), thus providing assurance to Shareholders. During the year, the Deputy Chief Executive and Monitoring Officer undertook the role of Shareholder Representative in liaison between the company and the Council.
- 4.13 A review of the governance arrangements in respect of Milverton Homes was undertaken by the Audit and Risk Manager and a report will be submitted to Cabinet in August 2023 that comprehensively addresses the review's findings.
- 4.14 Cabinet agreed to establish a change management programme to ensure that a co-ordinated approach to service development is in place. A programme has now been established, being launched with a managers workshop on 22 February 2024.

## **5 Update on Joint Working and Merger with Stratford-on-Avon District Council**

- 5.1 During 2020/21 the international accountancy and consultancy firm, Deloitte, was commissioned to undertake a review of the financial and non-financial benefits of integration between Warwick District Council and Stratford-on-Avon District Council, up to and including the possibility of a full merger between the organisations.
- 5.2 The principal recommendation from Deloitte was that to achieve the maximum potential financial and non-financial benefits for the residents of South Warwickshire a full merger of the two councils should be considered. (The report can be viewed by clicking on the following link: [Deloitte Report](#).)
- 5.3 In December 2021 both Councils committed to seeking a full merger to create a new single statutory



council for South Warwickshire by April 2024.

- 5.4 By the end of the 2021/22 financial year, the following progress towards a merger of the two councils had been made:
- A public consultation exercise on the proposals had been undertaken.
  - Approval for the merger had been sought from the Secretary of State.
  - Operational integration between the two authorities was well advanced with all heads of services being joint appointments and some services being either jointly provided or provided from one authority to both.
  - In relation to joint contracts and arrangements, the Waste Management Contract had been procured jointly.
  - A detailed paper on preparing a Local Plan for South Warwickshire had been agreed.
  - Several key policies had been aligned, including:
    - Joint Organisational Change Policy Statement
    - Joint Redeployment Policy and Procedure
    - Joint Redundancy Policy and Procedure.
- 5.5 However, following a meeting between Council Leaders and Chief Executives on 14 April 2022, the Leader of Stratford-on-Avon District Council wrote to the Secretary of State to request a delay pending further due diligence to be completed on Milverton Homes, a company set up and wholly-owned by Warwick District Council. Conversely, the Leader of Warwick District Council considered that ongoing due diligence should not prevent the service integration progressing as planned and felt that delaying the merger would create further uncertainty for residents seeking assurances about local services as well as greater uncertainty for staff, especially those facing redundancy. The Leader of Warwick District Council felt that further delay would result in trust being undermined, making it untenable for the two authorities to further integrate services or merge.
- 5.6 Consequently, the Leaders of both authorities concluded that the proposed merger could not go ahead as planned. It was felt that there was a significant difference between the approaches and ambitions of the two councils that were irreconcilable and that a joint request should now be made to the Government to cancel the merger process.
- 5.7 Some of the joint working arrangements already put in place are planned to continue, such as legal services and business rates collection. Others, however, including the Joint Management Team and the service integration programme, have ended.
- 5.8 Throughout the timeline of the merger, a communications and engagement plan ensured regular updates and engagement with staff from both councils. The plan included Joint staff briefings from both Chief Executives, Service Managers updates, team talks and regular liaison with Staff Voice and Unison reps from both councils. A new intranet page was developed to hold updates from committee meetings and minutes from Senior Management meetings. Staff from both councils could submit questions to that page and subsequently view all the answers.
- 5.9 Communication aimed to share the benefits of the proposed merger, as well as the impact of it not proceeding. Feedback to the joint site indicated a mixed response, from understanding the rationale, to concern about the impact on the Warwick DC identity.
- 5.10 It was recognised that the process impacted upon staff adversely. Clearly this can have implications for governance and therefore, immediately following the decision to cancel the merger, the process began to rebuild the relations with staff. This started as Chief Executive-led meetings with service managers, their teams and comprehensive communication activities. An Applause package Part 1 was developed and agreed by Councillors which has done much to restore staff morale and as part

of the budget proposals the Council has made provision for a Recruitment, Retention and Remuneration Package which has been well-received by members of staff. In addition, the Council has agreed additional recruitment, retention and remuneration measures including an additional increment payment for all WDC employees for 2023/24 and for 2024/25.

- 5.11 The achievement of the 'Thrive' well-being award demonstrates the organisation's commitment to supporting staff in all aspects of health.
- 5.12 The Chief Executive has held a number of staff briefings to continue to update members of staff which will continue alongside other communication steps such as a weekly 5 things you need to know and a weekly letter from the Chief Executive and Leader of the Council.
- 5.13 The Council has now decided to vacate Riverside House and relocate its headquarters to a Warwickshire County Council office based in Warwick. This will be a landlord/tenant relationship with a break clause after three years enabling the Council to move elsewhere should it wish. A face-to-face service will remain in Leamington operating out of the Pump Rooms. Furthermore, the Council has agreed to sell Riverside House. It is anticipated that the conveyance will be completed by the end of April 2024. At the time of drafting this Statement, the proposed purchaser's details are private and confidential.

## **6 Significant Governance Issues**

- 6.1 The following governance issues have been identified:
  - 6.1.1 The breadth and volume of the Overview and Scrutiny Committee's workload.
  - 6.1.2 The presentation of Cabinet reports that mitigate effective scrutiny of them.
  - 6.1.3 The range of skills that are required by the Overview and Scrutiny Committee to enable effective scrutiny, particularly in respect of financial expertise.
  - 6.1.4 The lack of clarity over the role and operation of Programme Advisory Boards.
- 6.2 These issues are included in an action plan, progress against which is monitored quarterly by the Council's Senior Leadership Team and by the Audit and Standards Committee.
- 6.3 The significant governance issues raised in last year's annual governance statement have all been addressed. This can be confirmed in Appendix 1, below.

## **7 Conclusion**

- 7.1 The governance framework described in this document has been in place at Warwick District Council for the year ended 31 March 2023 and up to the date of approval of the annual statement of accounts.
- 7.2 We confirm our commitment to implementation of actions to address the governance issues identified in this Statement (and summarised in Section 6, above)



**Signed:**

---

Councillor Ian Davison  
Leader of the Council

---

Christopher Elliott  
Chief Executive

**Dated:**



3 December 2024

Cllr Hales  
Audit & Standards Committee Chair  
Warwick District Council  
Town Hall  
Parade  
Royal Leamington Spa  
Warwickshire  
CV32 4AT

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Dear Cllr Hales

### **Warwick District Council: Conclusion of the audit for 2022/23 – letter to those charged with governance on the application of the local authority backstop**

As you will be aware, on 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which was approved on 14 November, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with your Head of Finance, and for reasons which I set out in more detail below, it will not be possible for us to complete our audit for 2022/23 by the statutory backstop date. We therefore propose to issue a disclaimer of our audit opinion. I attach a draft copy of this disclaimer for the attention of the Audit & Standards Committee.

We are required under Auditing Standards to report certain matters to the Audit Committee, including our responsibilities as auditor, the scope of the audit, independence, audit fees and any matters arising from the audit. I set out more details on the audit below. Information regarding our responsibilities, the scope of the audit and fees are included in the Appendix.

### **Outcome of our audit for 2022/23 – Disclaimer of the opinion on the financial statements**

For reasons set out below, it will not be possible for us to undertake sufficient work to support an audit opinion by the statutory deadline of 13 December 2024. This means that the limitations of scope imposed by the backstop are pervasive and therefore we have been unable to form an opinion on the financial statements by the due date. We therefore plan to issue a disclaimer of the audit opinion. We have attached the draft wording of our Audit Report for your information.

The Accounts and Audit Regulations 2015 required the Authority to make its financial statements for the year ended 31 March 2023 available for public inspection by the first working day in June 2023. However, the Authority did not make these financial statements available for public inspection until 1 November 2024. Consequently, we were not able to commence our audit of these financial statements before that date. In addition, the audit of the 2021/22 financial year is only nearing completion at the time of writing this report. As a result, we did not have enough time before 13 December 2024 to obtain sufficient appropriate audit evidence to conclude that the 2022/23 financial statements as a whole are free from material misstatement.

#### **Chartered Accountants**

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### **Outcome of this year's audit - Value for Money work and other work under the National Audit Office Code of Audit Practice**

We have undertaken our Value for Money work for the years ending 31 March 2022 and 31 March 2023 and reported the outcome in our Auditor's Annual Report. This report was presented to the Audit & Standards Committee on 27 August 2024. The key findings for both years ending 31 March 2022 and 2023 included a significant weakness in the Authority's arrangements to monitor and manage its financial sustainability. During 2021/22 the Authority implemented a new general ledger system. The draft financial statements for the 2021/22 year, the first prepared using the new system, contained a large number of significant errors, including capital issues which have not been resolved. We recommended that the Authority ensures that its finance team is sufficiently resourced, with appropriate skills, to ensure that the issues that delayed the completion of the 2021/22 financial statements audit are resolved; and that it prepares timely, high quality financial statements for later years, supported by appropriate reports and working papers to enable audits to proceed with minimal issues.

We are also required to report by exception if we have applied any of our statutory powers or duties.

We have nothing to report in respect of the above.

### **Independence**

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 and consider that an objective reasonable and informed third party would take the same view. 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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

### **Management letter of representation**

We have asked management to provide a letter of representation in respect of the financial statements covering 2022/23. This will be tabled as a separate agenda item.

### **Looking ahead**

The circumstances resulting in the application of the local authority backstop are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years.

Yours sincerely

Laurelin Griffiths  
For Grant Thornton UK LLP

cc Head of Finance

Attachments: Draft Disclaimer of Opinion 2022/23

# Appendix

## Responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Warwick District Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Standards Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of its responsibilities. It is the responsibility of the authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the authority's business and is risk based.

## Audit Plan

Due to delays in the completion of prior year audits, we were unable to issue an audit plan in respect of this audit year.

## Our 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.

Due to delays in the completion of prior year audits, we were unable to determine a materiality level for 2022/23.

## Key financial reporting and audit issues identified during the audit

As we have not undertaken any detailed work in respect of this year's financial statements audit, there are no issues we need to draw to your attention.

## Going Concern

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).

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United

Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by a local authority meets this criteria, and so where undertaking work on your audit, we would normally expect to apply the continued provision of service approach. In doing so, we would consider and evaluate:

- the nature of the authority and the environment in which it operates
- the authority's financial reporting framework
- the authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

As we have been unable to form an opinion on the financial statements, we are unable to draw a conclusion in this area.

### **Design effectiveness of internal controls**

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 any control weaknesses, we will report these to management.

We have nothing to report in respect of the above.

### **Other matters which we are required to report on to those charged with governance**

We are required to confirm the following:

- We have not been made aware of any incidents of fraud in the period and no issues have been identified during the course of our audit procedures.
- We are not aware of any related party transactions which have not been disclosed.
- We are not aware of any significant incidences of non-compliance with applicable laws and regulations.

### **Matters in relation to the Group audit**

In respect of the group engagement, we are required to report on:

- The scope of work on components
- The involvement of group auditors in significant component audits,
- Any concerns over quality of component auditors' work
- Limitations of scope on the group audit, and
- Fraud or suspected fraud

We have no matters to report in this respect.

#### **Audit fees and non audit fees**

PSAA set a scale fee for 2022/23 of £48,791. Given the unusual circumstances of the backstop, we are awaiting a determination from PSAA as to the appropriate fee to be charged for this audit year. Our proposed fee is £18,155.

The fees do not reconcile to the financial statements, so we have provided a reconciliation:

Audit fees per financial statements	£73k
Accrual for expected additional fees	(£ 24k)
<b>Total audit scale fee per above</b>	<b>£49k</b>

We have also undertaken the following non audit work in respect of 2022/23.

<b>Service</b>	<b>Proposed Fee</b>	<b>Final Fee</b>
Housing Benefits Subsidy assurance	£24,600	£TBC
Pooling of Housing Capital Receipts assurance	£10,000	£TBC

We have considered whether our grant claim work, the fee for which is expected to be higher than the audit fee for this backstopped year, represents a threat to independence. We are satisfied that it is not a threat, on the basis that grant claim work is carried out under instructions set by government, is undertaken on a routine basis each year, and has been assessed by the NAO in AGN 01 as not counting against the non audit cap.

# Independent auditor's report to the members of Warwick District Council (DRAFT)

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Warwick District Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's or group's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, in our auditor's report for the year ended 31 March 2022, we issued a disclaimer of opinion as we were unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's capital asset records were free from material misstatement. This matter has not been resolved in the current year and therefore its impact could be both material and pervasive to the current year financial statements.

We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' 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.

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

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether 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 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 and the Head of Finance**

As explained more fully in the Council's Responsibilities set out on page 23, 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 Head of Finance. The Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Head 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 Head of Finance is responsible for assessing the Authority's and the group'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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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

Our responsibility is to conduct an audit of the Authority's and group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group 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.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter, except on 27 August 2024 we identified a significant weakness in the Authority's arrangements to monitor and manage its financial sustainability for the years ended 31 March 2022 and 2023. During 2021/22 the Authority implemented a new general ledger system. The draft financial statements for the 2021/22 year, the first prepared using the new system, contained a large number of significant errors, including capital issues which have not been resolved. We recommended that the Authority:

- ensures that its finance team is sufficiently resourced, with appropriate skills, to ensure that the issues that delayed the completion of the 2021/22 financial statements audit are resolved; and
- prepares timely, high quality financial statements for later years, supported by appropriate reports and working papers to enable audits to proceed with minimal issues.

### **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.

### **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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements – Audit certificate**

We certify that we have completed the audit of Warwick District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **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 44 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.



**Financial Services**  
**Andrew Rollins – Head of Service**

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**our ref:** Audit 2022/23

13 December 2024

Dear Sirs

**Warwick District Council**  
**Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council and its subsidiary undertaking Milverton Homes Ltd for the year ended 31 March 2023.

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 group and 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 2022/23 ("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 group and 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 group and Council 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. Such accounting estimates include the valuation of the Council's net pension liability, and the valuation of the Council's land and building assets. 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.

We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. 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.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the group and 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.
- 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. The Council's financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

- xiv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

### **Information Provided**

- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
  - xvii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
  - xviii. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2022/23 of 13 December 2024. The new National Audit Office Code which is expected to be approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This includes the following:
    - a. providing you with:
      - i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
      - ii. additional information that you have requested from us for the purpose of your audit; and
      - iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
    - b. communicating to you all deficiencies in internal control of which management is aware.
    - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 1.
- d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
    - i. management;
    - ii. employees who have significant roles in internal control; or
    - iii. others where the fraud could have a material effect on the financial statements.
  - e. disclosing 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.
  - f. disclosing 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.
  - g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

- xix. 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**

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

### **Approval**

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 12 December 2024.

Yours sincerely

Andrew Rollins  
Head of Finance

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of Warwick District Council**

Audit & Standards Committee  
12 December 2024

Title: Work Programme

Lead Officer: Graham Leach, Head of Governance and Monitoring Officer

Portfolio Holder: Not applicable

Public report

Wards of the District directly affected: Not applicable

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## Summary

This report informs Members of the Committee's work programme for 2023/24 (Appendix 1).

## Recommendations

That Members consider the work programme (Appendix 1) and agree any change as appropriate.

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### 1 Background/Information

- 1.1 The Audit & Standards Committee has two main purposes: (1) to promote and maintain high standards of conduct and governance within the Council and within the Parish and Town Councils within the District; (2) to act as the Audit Committee for the Council.
- 1.2 The establishment of the Audit & Standards Work Programme will ensure that Members are aware of the workload of the Committee and any changes to upcoming reports.

### 2 Conclusion/Reasons for the Recommendation

- 2.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 2.2 The 2023/24 Annual Treasury Management report will not come to a meeting this year and has been removed from the work programme accordingly.
- 2.3 The Election Scale of Fees and Review of the PCC election has been added to the work programme for January 2025.
- 2.4 At the request of the Audit and Risk Manager, the following reports have been added to the work programme for the meeting in January 2025:
  - Internal Audit Annual Report 2023/24
  - Corporate Fraud Investigations Performance Report 2023/24.
  - Amended Internal Audit Plan 2024/25



## Audit & Standards Committee WORK PROGRAMME

**Additional meeting – 12 December 2024**

<b>Title</b>	<b>Purpose</b>	<b>Lead Officer/Councillor</b>
Statement of Accounts 2021/22 and 2022/23		Andrew Rollins

**7 January 2025**

<b>Title</b>	<b>Purpose</b>	<b>Lead Officer/Councillor</b>
Quarterly IA Progress (Qtr. 2)	To advise on progress in completing the Audit Plan	Ian Davy -Audit and Risk Manager
Treasury Management Activity Report for period 1 April 2024 to 30 September 2024	This report details the Council's Treasury Management performance for the period 1 April 2024 to 30 September 2024	Richard Wilson
Review of Significant Business Risk Register	To provide assurance to Members on the Council's risk environment.	Ian Davy -Audit and Risk Manager
Draft Annual Governance Statement 2023/24	Set out the Council's draft Annual Governance Statement for 2023/24 describing the governance arrangements that were in place during the financial year. The Statement will accompany the Council's Statement of Accounts.	Ian Davy - Audit and Risk Manager Graham Leach
Election scale of fees review		Graham Leach / Leanne Marlow
Review of the PCC Election		Graham Leach / Leanne Marlow
Internal Audit Annual Report 2023/24	Presents a summary of the internal audit work undertaken during 2023/24 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of	Ian Davy - Audit and Risk Manager

	governance, risk management and control.	
Corporate Fraud Investigations Performance Report 2023/24	Provides details of the performance by the Corporate Fraud Investigation team for 2023/24	Ian Davy - Audit and Risk Manager
Amended Internal Audit Plan 2024/25	To set out the amendments required to the audit plan due to the resourcing of the team.	Ian Davy - Audit and Risk Manager

### 5 March 2025

Title	Purpose	Lead Officer/Councillor
Quarterly IA Progress Reports (Qtr. 3)	To advise on progress in completing the Audit Plan and on completing the Significant Governance Issues set out in the Annual Governance Statement.	Ian Davy
Strategic Audit Plan		Ian Davy
Internal Audit Charter		Ian Davy
Review of Significant Business Risk Register	To provide assurance to Members on the Council's risk environment.	Ian Davy -Audit and Risk Manager

### Without a confirmed date

Title	Purpose	Lead Officer/Councillor