



**STATEMENT  
OF  
ACCOUNTS  
2005/2006**

# WARWICK DISTRICT COUNCIL

## STATEMENT OF ACCOUNTS 2005/2006

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## **FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER**

The highlight of the year for the Council was finalising the development of our website, and achieving the 'T' rating. This has involved all teams in developing their services electronically. There are now over 100 interactive or transactional services including council tax enquiries, sports bookings and HomeChoice.

Every year our Annual Portfolio Holder Statements are agreed when we finalise our budget, they are set out in our best value performance plan. The statements include a review of achievements in the past year and key actions for the next. The paragraphs below summarise some of the main highlights in 2005/2006.

The Council achieved a rating of 3 (consistently above minimum requirements – performing well) for its externally assessed Use of Resources judgement. The finance team have implemented a new financial system, and we also have a fully computerised system for land charges. As a result of the new Civil Contingency Act, we have been reviewing and testing our procedures.

We have continued to develop our sports facilities with the Harbury Lane sports pitch and pavilion being completed. We have done further drainage work on Newbold Comyn golf course, and refurbished the Pyramids Fitness Suites. The improvements have begun to show an up-turn in usage. Our Parks continue to get national coverage.

We have expanded our Customer Service centre to deliver a further 15 services including Planning, Repairs, Revenues and Licensing. Our promotion of Direct Debit for payments has increased usage from 59.28% in 2004/2005 to 63.54% in 2005/2006. We have invested in resilience for our IT systems given the increasing reliance on them for service provision.

Staff in all services have been working on the new equalities standard, and we self assessed at level 2. We have worked with partners across the County to get a new equality body covering the whole of Warwickshire.

The Spencer's Yard 'South Bank' cultural quarter hub scheme was substantially completed during the year. In Kenilworth we have finalised the proposals to improve Talisman Square. In Warwick we have supported the implementation of the Heritage Lottery Fund scheme for Hill Close Gardens and have seen work start on their new centre.

We have been assessing our housing with three studies completed on stock conditions, housing needs, and black and minority ethnic housing needs. We introduced a choice based lettings scheme for both our own and local housing association properties, known as HomeChoice. We have strengthened the community alarm service: we now support over 5,000 customers throughout Warwick and Stratford Districts.

We have expanded multi-material recycling services to cover the whole of the District. We have employed a street scene officer to drive up the standards of cleanliness which have improved from 63% to 88%. We successfully completed the construction of the Tanyard Stream flood alleviation scheme

We dealt with re-licensing of all licensed premises in the District by the Government deadline, and we have been heavily involved in the planning enquiries on Coventry Airport and preparation for the local plan enquiry.

This has been another successful and busy year!

Mary Hawkins, C.P.F.A. BSc (Econ)  
Strategic Director (Corporate Resources)  
And Chief Financial Officer

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# FINANCIAL SUMMARY

## 1. General Fund Summary 2005/2006

In February 2005 the Council approved a total net expenditure budget for 2005/2006 of £14.3m (excluding Parish Precepts) and set a band D council tax for the district of £119.94. The following table shows how the net expenditure compared to the original estimates:

<u>General Fund Net Service Expenditure</u>	<b>Original £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
Democratic Representation and Management	1,160	1,132	(28)
Corporate Management	1,406	910	(496)
Central Services to the Public	728	883	155
Cultural and Related Expenses	7,226	7,194	(32)
Environmental Services	5,797	5,675	(122)
Planning and Development Services	2,458	2,889	431
Highways, Roads and Transport Services	876	1,041	165
Housing Services	864	978	114
Non Distributed Costs	241	241	0
Support Services	(8)	(31)	(23)
<b>TOTAL GENERAL FUND NET EXPENDITURE</b>	<b>20,748</b>	<b>20,912</b>	<b>164</b>
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(6,312)	(6,654)	(342)
- Adjust Loan Repayments, RCCO and Interest Paid	(208)	(158)	50
Net External Interest Received	(716)	(1,044)	(328)
Revenue Contributions to Capital	1,150	1,057	(93)
Contributions to / (from) Reserves	(366)	(580)	(214)
<b>NET EXPENDITURE FOR DISTRICT PURPOSES</b>	<b>14,296</b>	<b>13,533</b>	<b>(763)</b>
Less Council Tax, RSG and NNDR Grants and Collection Fund Deficit	(14,296)	(14,294)	2
<b>SURPLUS FOR YEAR</b>	<b>0</b>	<b>(761)</b>	<b>(761)</b>

The main factors affecting the above statement are:

- The Council spent over £400,000 on the Coventry Airport Planning Appeal of which £178,000 has been met from the Planning Appeals Reserve. This increased cost was partially offset by additional Development Control income of £136,000.
- Recycling income increased by £99,000 as a result of the success of the multi-materials collection scheme.
- Several initiatives and revenue programmes that were not completed during 2004/2005, amounting to £712,000, were carried forward to 2005/2006 as earmarked reserves. The expenditure on these items is included within the relevant service expenditure and the financing is by way of a contribution from the earmarked reserves. This has been offset by underspendings during 2005/2006 of £602,000 which have been carried forward to 2006/2007 as earmarked reserves.
- Interest received on the Council's investments was £320,000 greater than originally estimated. This reflected the Council having larger balances to invest as a result of delays in capital projects.
- Following the closure of old insurance claim years the Insurance Reserve has paid back to the General Fund £83,000 in respect of sums held to meet those liabilities.

# FINANCIAL SUMMARY

## General Fund Summary 2005/2006 (continued)

- The Council has decided that it needs to increase the balance on the General Fund from £1m to £1.1m. The remaining surplus has been allocated (a) £330,600 to the Capital Investment Reserve, (b) £150,000 to the Early Retirement Reserve and (c) £180,000 to the Planning Appeals Reserve.

More detailed information on the transactions within the General Fund can be found in the Notes to the Consolidated Revenue Account on pages 24 to 29.

## 2. Housing Revenue Account 2005/2006

In February 2005, the Council approved a total net surplus budget on Council Housing for 2005/2006 of £1,114,800 which would result in an estimated average rent increase of £2.97 per week. The actual average rent of £56.57 for 2005/2006 was an increase of £2.97 over the average rent of £53.60 for 2004/2005.

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

<u>Housing Revenue Account</u>	<u>Original £'000</u>	<u>Actual £'000</u>	<u>Variation £'000</u>
Income	(17,940)	(18,109)	(169)
Expenditure	12,147	12,244	97
Capital Financing	4,657	4,625	(32)
Contribution to / (from) Reserves	21	(30)	(51)
<b>(SURPLUS) / DEFICIT FOR YEAR</b>	<b>(1,115)</b>	<b>(1,270)</b>	<b>(155)</b>

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£17.3m), and other charges (£0.8m). See pages 30 to 35 for more details.

## 3. Consolidated Balance Sheet

The Consolidated Balance Sheet reflects assets at their current value, totalling £391m. The Council has continued to maintain its debt-free status so as to take advantage of new freedoms arising from the introduction of the Prudential Borrowing Regime and the abolition of Part 4 of the Local Government and Housing Act 1989.

During 2005/2006 net current assets increased by £3.2m from £17.7m to £20.9m. The main items being an increase in debtors (+£2.1m) and reductions in short term investments and loans (-£1.5m) and creditors (+£3.1m).

A total of £10.9m is held in earmarked reserves. Of this total, £4.2m is held for housing improvement, £3.7m is for future other capital investment and the remaining £3.0m is for specific revenue items. A further £3.1m is held for future major housing repairs. A full list of these reserves can be found on page 41.

# FINANCIAL SUMMARY

## 4. Collection Fund

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

During 2005/2006 £61.9m (£59.4m in 2004/2005) of Council Tax was collected. The precepts and demands on the Collection Fund were Warwickshire County Council (£48.4m), Warwick District Council (£6.1m), Warwickshire Police Authority (£6.8m) and Town and Parish Councils (£0.8m). After receiving payments totalling £0.731m towards deficits from previous years the Collection Fund had a deficit balance for the year of £0.6m. The deficit arose mainly due to the overestimation of new developments being completed within the year. The deficit will be recovered from the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (42.2p for 2005/2006) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £50.5m of Business Rates (NNDR) was collected during 2005/2006 (£47.7m in 2004/2005). This money is passed to the Government which operates a National Pool whereby it redistributes the sums collected to all local authorities. This Council received a contribution of £3.8m for 2005/2006 (£3.5m in 2004/2005) from the National Pool. An allowance of £218,000 (£222,000 in 2004/2005) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 46 to 48.

## 5. Capital Expenditure

Capital investment of £10.7m took place during the year - see page 38 for a detailed list of the year's capital expenditure. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£4.3 million
- e-government / ICT Strategy	£1.8 million
- Regeneration Projects	£1.6 million
- Housing Association Schemes	£1.1 million
- Private Sector Renewal and Disabled Facilities Grants	£0.5 million
- Leisure Development	£0.4 million
- Conservation and Environmental Development	£0.2 million
- Flood Alleviation Schemes	£0.2 million
- Council Housing Asbestos study	£0.1 million
- Traffic Schemes	£0.1 million

Major fixed assets disposed of during the year were:

- Sale of Council Houses and other Housing Revenue	
Account properties	£2.7 million
- Westgate House, Warwick freehold	£0.9 million
- 34 Hamilton Terrace	£0.6 million

## 6. Treasury Management

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

The Council continued to be debt free throughout 2005/2006, having repaid its remaining external long term debt in 2003/2004.

During 2005/2006, net capital expenditure was financed from the Council's internal resources, such as usable capital receipts, reserves, revenue and internal borrowing from its provision for credit liabilities.

## FINANCIAL SUMMARY

### 7. Euro Costs

The Council has continued to review the impact of the euro on its ongoing operations. A euro project group has been established, headed by the Responsible Financial Officer and reporting to the Executive, to assess the impact that the possible introduction of the euro in the UK would have on the delivery of the Council's services, its financial information systems and the Council's stakeholders. The Council has participated in a project led by HM Treasury to produce Best Practice Changeover Plans for Local Authorities. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

### 8. Pension Costs

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

As at 31<sup>st</sup> March 2006 this Council's pension fund liability is £19.9m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2005/06 to 2010/11 the Council's contribution rate will increase to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in note 17 to the Consolidated Balance Sheet, note 4 to the Consolidated Revenue Account and note 3 in the Statement on the Total Movement in Earmarked Reserves.

# GUIDE TO THE FINANCIAL STATEMENTS

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

- Page 11**    **Consolidated Balance Sheet**  
This statement shows the overall financial position of the Council as at 31 March 2005. It shows the assets and liabilities of the Council as a whole, including the Collection Fund.
- Page 23**    **Consolidated Revenue Account**  
This statement details the income and expenditure during the year on all revenue services, including the net position on the Housing Revenue Account. It also reflects appropriations to or from reserves and amounts used from revenue to finance capital expenditure.
- Page 30**    **Housing Revenue Account**  
This statement details the income and expenditure during the year on providing Council housing. The Council is required to provide a separate account for this service.
- Page 36**    **Housing Repairs Account**  
This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.
- Page 37**    **Housing Major Repairs Reserve**  
This statement details the income and expenditure during the year on major repairs and improvements to the Council's housing stock.
- Page 38**    **Statement of Capital Expenditure**  
This statement shows the capital expenditure of the various service areas of the Council, together with the sources used to finance that expenditure.
- Page 39**    **Statement in Total Movements in Reserves**  
This statement brings together all the recognised gains and losses of the Council during the year and details both those which have, and those which have not, been separately identified in the Consolidated Revenue Account and reflected as the Total Equity in the Consolidated Balance Sheet. The statement separates the movements between revenue and capital reserves and identifies the amount attributable to the Housing Revenue Account.
- Page 41**    **Statement of Total Movements in Earmarked Reserves**  
Within the revenue section of the Statement of Total Movements in Reserves there is a column referred to as "Earmarked Reserves". This analysis identifies all of the individual reserves making up this item.
- Page 42**    **Cash Flow Statement**  
This statement summarises the inflows and outflows of cash arising from Council transactions with third parties for both revenue and capital purposes.
- Page 46**    **Collection Fund**  
This statement details the transactions relating to the collection of Council Tax, National Non-Domestic Rates (NNDR) and residual Community Charge. The Council is responsible for collecting Council Tax on behalf of Warwickshire County Council, Warwickshire Police Authority and itself (which also includes the precepts of the Parish Councils). The Council is also responsible for collecting NNDR on behalf of the Government.
- Page 49**    **Statement of Responsibilities for the Statement of Accounts**  
This statement identifies the responsibilities of the Council and those of the Responsible Financial Officer.
- Page 50**    **Statement on Internal Control**  
This statement provides details of the measures in place to safeguard the Council's resources.

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



## ACCOUNTING POLICIES

The main policies adopted in compiling the accounts are set out below. They follow the Chartered Institute of Public Finance and Accountancy's Statement of Recommended Practice (S.O.R.P.) on Local Authority Accounting and comply with Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP). The general principles which govern the accounting policies used by local authorities are set out in the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2004 and 2006.

In preparing the accounts it has not been necessary to prepare Group Accounts, under the definitions in the 2005 S.O.R.P.

### Basis of Accounting

- (a) Revenue - All revenue income and expenditure transactions are accounted for in the year to which they relate by the accrual of debtors and creditors.
- (b) Capital - All capital transactions are accounted for in the year to which they relate by the accrual of debtors and creditors. A de-minimis level of £20,000 has been used as the basis for inclusion as a capital asset. Capital charges are included in the service accounts as recommended by the C.I.P.F.A. Code of Practice.
- (c) Grant and subsidy claims - Certain claims for Government grants or subsidies await settlement at the end of each financial year. The estimated amounts of these grants and subsidies are included in the accounts of the year to which they relate. Any subsequent adjustments required in respect of the amounts provided in the accounts will normally be made in the financial year in which the claims are settled.
- (d) Costs of support services
  - The Council has developed a policy of charging the central support services in respect of Legal, Finance, Property, Information and Communications Technology, Central Switchboard and Reception Facilities, Personnel and Member Services on the basis of service level agreement charges. Any balance remaining at the year end in those accounts is reapportioned to direct services.
  - The costs of the Chief Executive's Office, Policy Services and Service Departments' support services are fully recharged on the basis of time allocations.
  - Office accommodation is recharged on the basis of floor area occupied at Riverside House and the Town Hall.
  - Council Support Services (expenditure / time allocations of a general nature that cannot be charged to any specific or group of services) are divided into two areas - staff related (e.g. Central Personnel Issues, Health and Safety) are recharged on the basis of salary budgets, and general costs which are allocated on the basis of gross expenditure excluding capital financing charges and transfer payments.
- (e) Best Value - The Consolidated Revenue Account (see page 23) has been prepared using the requirements of the Best Value Code of Practice.

### Redemption of Debt

The Council is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculation, in general terms, is that 4% in respect of the General Fund credit ceiling is charged against the relevant accounts.

### Capital Receipts

Usable capital receipts represent the defined proportions of proceeds from the disposal of assets and mortgage repayments. They are held in the usable capital receipts account until such time as they are used to finance capital expenditure. Usable Capital Receipts at 31 March 2006 amounted to £6,449,120, including £2,628,573 capital receipts previously set aside for the repayment of debt which are now available for financing capital expenditure as a result of the Council's debt free status. Interest on usable capital receipts held during the year is credited to the General Fund.

# ACCOUNTING POLICIES

## Capital Assets

### (a) Fixed Assets

Expenditure on the creation, acquisition or enhancement of tangible fixed assets which yield benefit to the Authority and the services it provides for more than one year has been capitalised. The fixed assets in the balance sheet represent land, buildings and other items such as vehicles and plant. Such assets have been classified in the balance sheet within the appropriate category required by the Code.

Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2005/2006 which have not been the subject of a valuation are included at historical cost.

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

The current values shown in the Balance Sheet for General Fund properties are based on a valuation as at 1<sup>st</sup> April 2004 and for Housing Revenue Account properties are based on a valuation as at 1<sup>st</sup> April 2005. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency.

### (b) Depreciation

Assets, other than land, are being depreciated over their estimated useful economic lives.

Assets are being depreciated using the following methods and over the following periods:

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

### (c) Charges for the use of Capital

Capital charges made to revenue accounts equal the sum of depreciation plus a specified notional interest charge based on the equated balance sheet value of the asset during 2005/2006.

In 2005/2006 the specified notional rates of interest were 3.5% for fixed assets included in the Balance Sheet at current value and 4.95% for infrastructure and community assets included in the Balance Sheet at historical cost.

External interest payments and depreciation charges are debited to the asset management revenue account. An appropriation to, or from, the Capital Financing Account ensures that the overall revenue charge for capital is in accordance with statutory requirements, and that these accounting arrangements do not affect the amount to be met from Council Tax. A similar arrangement exists for the Housing Revenue Account.

## ACCOUNTING POLICIES

### (d) Intangible Assets

Intangible Assets cover two distinct types of expenditure. The first relates to expenditure which has been properly capitalised, but which does not result in a tangible fixed asset owned by the Council. This includes grants to other persons and bodies for capital expenditure (e.g. Environmental Health Improvement Grants) and software licences. An assessment of the period of economic benefit to the Council is made and the costs duly amortised over the length of that benefit. In 2005/2006, with the exception of some software licences, all expenditure was written out to revenue as no economic benefit beyond 1 year was obtained but this did not affect the net cost of services as ultimately the expenditure was charged to the Capital Financing Account.

The second type of Intangible Asset relates to premiums on long term loans which have been repaid early. In respect of the premiums to be borne by the General Fund as the loans repaid were not replaced they will be amortised to revenue over the remaining life of the loans repaid and a similar situation obtains in the case of the premiums chargeable to the Housing Revenue Account subject to maximum of 10 years.

### (e) Leased Assets

The capital value of assets in respect of land and buildings acquired under finance leases are included in Operational or Non-Operational Fixed Assets, according to their use, and the value will be written down over the remaining period of the lease. The interest charge included in the lease, using a straight line reducing calculation, will be met from the asset management revenue account.

## **Current Assets**

### (a) Stocks and Work-in-Progress

Separate stores are maintained for stationery and for various catering establishments operated by the Council. Valuation of those stocks in the accounts is on the basis of cost. Work-in-progress is included in the accounts at its prime cost.

### (b) Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of a) an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974 and b) the Invesco Fund which is recorded at current value as at the 31<sup>st</sup> March 2006.

## **Interest Charges**

Interest is credited to the Housing Revenue Account in respect of its working balance during the year. This is calculated using the actual external investment rate. All remaining interest income is credited to the General Fund Revenue Account.

## **Provisions**

These are sums set aside for liabilities or losses which are certain to arise but owing to their inherent nature cannot be quantified with any certainty.

## **Provisions for Bad and Doubtful Debts**

Provisions in respect of bad and doubtful debts have been estimated in accordance with recommended practice and past experience. Uncollectable debts are written off.

## **Earmarked Reserves**

Sums set aside from balances and earmarked to meet future revenue or capital expenditure. Each reserve is for a specific purpose (see page 41 for a full list).

## **Valued Added Tax**

VAT is charged to revenue and capital accounts only to the extent that it is irrecoverable. No such amounts occurred during 2005/2006.

## ACCOUNTING POLICIES

### Pensions

The Local Government Pension Scheme is a funded, defined benefit scheme administered by Warwickshire County Council. FRS17 requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pensions asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

The assets of the scheme are measured at fair value. The liabilities of the scheme are measured on an actuarial basis using the projected unit method.

Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability.

The surplus / deficit of the scheme is the excess / shortfall of the value of the assets in the scheme over / below the present value of the scheme liabilities.

The current service cost is based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date.

The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.

The expected rate of return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.

Actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.

Past service costs are disclosed on a straight-line basis over the period in which the increases in benefits vest.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the employer becomes demonstrably committed to the transaction and disclosed in the notes to the accounts covering that date. Gains arising from settlements / curtailments not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

# CONSOLIDATED BALANCE SHEET

## Consolidated Balance Sheet as at 31 March

	Notes	2006 £'000	2006 £'000	2005 £'000
<b>CAPITAL ASSETS</b>				
<b>INTANGIBLE ASSETS</b>	1		2,831	3,092
<b>FIXED ASSETS</b>	2 to 7			
<b>Operational Assets:</b>				
Council Dwellings		317,200		318,566
Other Land and Buildings		50,224		51,194
Vehicles, Plant, Furniture and Equipment		2,729		2,999
Infrastructure		427		292
Community Assets		6,204		5,455
<b>Non-Operational Assets</b>				
Investment Properties		12,248		13,444
Assets under Construction		1,289		546
Surplus Assets held for disposal		873	391,194	794
<b>TOTAL FIXED ASSETS</b>			<b>394,025</b>	396,382
Long Term Investments	8		12	12
Long Term Debtors	8		126	161
<b>TOTAL LONG TERM ASSETS</b>			<b>394,163</b>	396,555
<b>CURRENT ASSETS</b>				
Stocks and Work-in-Progress		11		10
Sundry Debtors	9	9,933		7,824
Less Bad Debts Provisions	9	(1,586)		(1,419)
Short Term Investments	10	18,426	26,784	19,953
			<b>420,947</b>	422,923
<b>CURRENT LIABILITIES</b>				
Borrowing repayable on demand or within 12 months		0		0
Sundry Creditors	11	(4,381)		(7,440)
Cash Overdrawn		(1,536)	(5,917)	(1,274)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>415,030</b>	414,209
Loans repayable within a period of over 12 months	12	0		0
Deferred Liabilities	13	(431)		(601)
Government Grants - Deferred	14	(250)		0
Deferred Credits	8 & 15	(121)		(155)
Provisions	16	(543)		(689)
Liability related to defined benefit pension scheme	17	(19,940)	(21,285)	(20,876)
<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>393,745</b>	391,888
<b>REPRESENTED BY:</b>				
Fixed Asset Restatement Account	18		305,960	308,947
Capital Financing Account	19		84,318	83,446
Useable Capital Receipts	20		6,449	5,185
Major Repairs Reserve	21		3,108	3,584
Earmarked Reserves	22		10,916	10,400
Collection Fund Balance	23		(638)	(1,000)
General Fund Revenue Balance	24		1,100	1,000
Pensions Reserve	17		(19,940)	(20,876)
Housing Revenue Account Balance			2,472	1,202
			<b>393,745</b>	391,888

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 1. Intangible Assets

	Balance at 1 April 2005 £'000	Expenditure £'000	Amount Repaid £'000	Balance at 31 March 2006 £'000
<b>General Fund:</b>				
- Improvement Grants	0	487	(487)	0
- Purchased Software Licences	72	359	(124)	307
- Other General Fund	0	2,619	(2,619)	0
<b>Housing Revenue Account:</b>				
- Purchased Software Licences	0	48	(48)	0
- Other Housing Revenue Account	0	37	(37)	0
	<u>72</u>	<u>3,550</u>	<u>(3,315)</u>	<u>307</u>
Loan Premiums / Discounts	3,020	0	(496)	2,524
<b>Total</b>	<u><b>3,092</b></u>	<u><b>3,550</b></u>	<u><b>(3,811)</b></u>	<u><b>2,831</b></u>

## 2. Fixed Assets

Movement in fixed assets during the year were as follows:

	Balance 1 April 2005 £'000	Expenditure in Year £'000	Disposals in Year £'000	Revaluations and Depreciation £'000	Balance 31 March 2006 £'000
<b>Operational Assets:</b>					
Council Dwellings	318,566	4,599	(1,962)	(4,003)	317,200
<b>General Fund:</b>					
Other Land and Buildings	51,194	580	0	(1,550)	50,224
Vehicles, Plant & Equipment	2,999	525	(25)	(770)	2,729
Infrastructure	292	143	0	(8)	427
Community Assets	5,455	778	0	(29)	6,204
<b>Non-Operational Assets</b>					
<b>General Fund:</b>					
Investment Properties	13,444	6	(1,000)	(202)	12,248
Assets under Construction	546	864	(121)	0	1,289
Surplus Assets held for disposal	794	105	0	(26)	873
<b>TOTALS</b>	<u><b>393,290</b></u>	<u><b>7,600</b></u>	<u><b>(3,108)</b></u>	<u><b>(6,588)</b></u>	<u><b>391,194</b></u>

The revaluations and depreciation column contains depreciation charged to the Asset Management Revenue Account during 2005/2006 as follows:

	£
Council Dwellings	4,002,804
Other Land and Buildings	1,701,322
Vehicles, Plant and Equipment	771,235
Infrastructure	7,792
Community Assets	29,586
Investment Properties	51,024
Surplus Assets	25,757
<b>TOTAL</b>	<u><u><b>6,589,520</b></u></u>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 3. Fixed Asset Valuations

The values of the Council Dwellings in note 2 above are based on valuations at 1st April 2005. The revaluations were undertaken by Mr. B. Franklin MRICS for the District Valuer.

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

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

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

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, etc. £'000	Total £'000
Valued at historical cost	4,598	9,018	2,729	16,345
Valued at current value in:				
- 2004/2005	312,602	61,521	0	374,123
- 1999/2000	0	295	0	295
<b>Total</b>	<b>317,200</b>	<b>70,834</b>	<b>2,729</b>	<b>390,763</b>

The above figures exclude leased assets valued at £430,684 (see note 7)

### 4. Capital Expenditure

Capital expenditure during the year amounted to £10.694m (see Note 5 and page 38). It should be noted that capital expenditure does not necessarily increase the capital value of assets (see Note 1 above). For example, the majority of expenditure that results in Intangible Assets (£3.550m in 2005/2006) is written off in the year that it arises since there is no physical asset created (e.g. Environmental Health Improvement Grants).

The main items of capital expenditure in 2005/2006 were:

	£'000
<b>General Fund Capital Programme:</b>	
e-government and ICT Strategy	1,751
St. Mary's Lands Development	950
Cultural Quarter	600
Leisure Developments	380
Conservation and Environmental Improvements	281
Flood Alleviation Schemes	218
Traffic Schemes including Car Parks	120

## NOTES TO THE CONSOLIDATED BALANCE SHEET

	£'000
<b>Housing Investment Programme:</b>	
Housing Associations - Grants re new Dwellings / Improvements	1,048
Housing Improvements - Improvements / Renewals	4,313
- Renovation Grants	487
- Asbestos Survey	120

### Significant capital expenditure projects in 2006/2007 include:

<b>General Fund:</b>	
Implementing e-government / New I.T. Systems	1,876
Regeneration - Leamington Old Town	1,360
St. Mary's Lands Development	866
Leisure Developments	453
Car Park Refurbishments / Enhancements	410
Conservation and Environmental Development	298
Flood Alleviation Schemes	269
Regeneration - Rural Initiatives	236
Regeneration - Kenilworth Town Centre	235

<b>Housing Investment Programme:</b>	
Council House Improvements / Renewals	4,636
Housing Associations - Grants re New Dwellings / Improvements	2,507
Renovation Grants and Disabled Facilities Grants	820
Council House Energy Conservation Works	135

### **Significant contracts outstanding from 2005/2006 (included in 2006/2007 figures above) include:**

<b>General Fund Capital Programme:</b>	
St. Mary's Lands Development	1,831
Other e-Government and ICT Strategy Projects	601
Document Management Pilot Project	436

<b>Housing Investment Programme:</b>	
Housing Association Schemes	1,587
Council House Improvements / Renewals	464
S106 Funded Renovation Grants	250

## 5. Capital Financing

Financing:	£'000	Represented by:	£'000
Useable Capital Receipts	3,304	Fixed Assets	7,144
Revenue and Other Contributions	7,390	Intangible Assets (see note 1)	3,550
	<u>10,694</u>		<u>10,694</u>



## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 6. Statement of Physical Assets

The Council maintained the following assets at 31<sup>st</sup> March 2006:

	Nos.		Nos.
Council Dwellings (H.R.A. and Others)	5,857	Cemeteries	4
Council Garages (H.R.A. and Others)	2,064	Crematorium	1
Town Hall	1	Parks and Open Spaces (acres)	1,070
Offices	3	Athletics Track	1
Depot	1	Golf Course	1
Multi-Storey Car Parks	3	Golf Shop	1
Surface Car Parks	19	Bowling Greens: Victoria Park	1
Theatre / Entertainment Suites	2	Public Conveniences	10
Recreation Centres	3	Vehicles	4
Leisure Centres	2	Catering Premises	7
Swimming Pools	1	Shops and Other Properties (2 leased)	116
Community Centre	1	Temperate House, Jephson Gardens	1
Museum and Art Gallery	1	All Weather Pitch	1

### 7. Assets held under Finance Leases

	Original Book Value £'000	Accumulated Depreciation to 31 March 2005 £'000	Gross Book Value 31 March 2005 £'000	Additions / Depreciation 2005/2006 £'000	Gross Book Value 31 March 2006 £'000
Other Land & Buildings	1,371	770	601	(170)	431

The leased properties are Talisman Square Car Park and the United Reform Church and the principal element of the annual rents payable on these properties is as shown below:

2006/2007	£6,602
2007/2008	£2,918
2008/2009	£4,238
2009/2010	£5,553
2010/2011	£6,870

The aggregate principal element of leases which continue beyond 2010 until the final one terminates in 2032 is £404,694. The interest element of the rentals on finance leases paid in 2005/2006 amounted to £17,736.

During the year software licences were purchased for the Warwickshire Online Partnership (WOLP) Joint Contact Centre project, the Council's Data Capture project and the new Financial Management System. The cost of these licences has been amortised on a straight line basis over the period for which the licences are valid as follows:

WOLP Joint Contact Centre Software Licences: 4 years – Amount amortised to revenue £1,228  
 Data Capture Maprite Software Licences: 3 years – Amount amortised to revenue £9,362  
 Financial Management System Software Licences: 5 years – Amount amortised to revenue £16,399

In 2004/2005 the Council purchased software licences for the Document Management System and Website Development which are being amortised over 3 years. In 2005/2006 the amounts amortised to revenue were £29,921 and £6,087 respectively.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 8. Long Term Investments / Debtors

	31 March 2006 £'000	31 March 2005 £'000
Long Term Investments comprise:		
- Miscellaneous Investments	<u>12</u>	<u>12</u>
Long Term Debtors comprise:		
- Mortgages re Council House Sales (Deferred Credits)	121	155
- Mortgages re Private Householders	<u>5</u>	<u>6</u>
<b>TOTAL LONG TERM DEBTORS</b>	<u>126</u>	<u>161</u>
<b>TOTAL LONG TERM INVESTMENTS / DEBTORS</b>	<u>138</u>	<u>173</u>

### 9. Sundry Debtors and Bad Debt Provisions

The debtors outstanding at 31 March are:

	31 March 2006 £'000	31 March 2005 £'000
Supplementary Debtors (Year end accruals)	2,443	2,975
Council Tax Arrears	1,696	1,242
NNDR Arrears	1,426	967
Housing Rent Arrears	1,042	1,036
General Debtors Outstanding at 31 March	827	758
NNDR National Pool	786	0
Benefits Subsidy	684	0
Customs and Excise	563	398
Miscellaneous Other Debtors	<u>466</u>	<u>448</u>
<b>TOTAL SUNDRY DEBTORS</b>	<u>9,933</u>	<u>7,824</u>

The main changes in the increased sundry debtors is the NNDR National Pool changing from a creditor in 2004/2005 to a debtor for £786,450 in 2005/2006 (see Note 11), a change in the underpayment of Benefits Subsidy of £683,963 and an increase in Council Tax and NNDR arrears of £912,243.

The Council maintains the following bad debt provisions:

	31 March 2006 £'000	31 March 2005 £'000
Housing Rent Arrears - H.R.A.	504	428
Housing Rent Arrears - General Fund	103	121
General Debtors	25	59
Bed and Breakfast Expenses for homeless people	2	4
Housing Benefits - Rent Allowances	127	92
NNDR	531	447
Council Tax	<u>294</u>	<u>268</u>
<b>TOTAL BAD DEBTS PROVISIONS</b>	<u>1,586</u>	<u>1,419</u>

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 10. Short Term Investments

This item relates to the investment of cash flow surpluses, set-aside Capital Receipts, Reserves and Balances. In-house these were invested with Banks, Building Societies, Money Market Funds and other local authorities and through the Council's external investment agents in Banks, gilt edged securities and supranational bonds. The total investments at 31 March 2006 were £18.43m (£19.95m at 31 March 2005).

## 11. Sundry Creditors

Creditors outstanding at 31 March are:

	31 March 2006 £'000	31 March 2005 £'000
Supplementary Creditors (Year end accruals)	2,399	4,797
NNDR Income Account	0	67
NNDR Payments in Advance	383	50
Council Tax Payments in Advance	391	228
NNDR National Pool	0	1,340
Housing Rent Payments in Advance	142	87
Income Received in Advance	718	600
Miscellaneous Creditors	348	271
<b>TOTAL SUNDRY CREDITORS</b>	<b>4,381</b>	<b>7,440</b>

The reduction in sundry creditors is mainly due to the NNDR National Pool changing from a creditor for £1,340,282 in 2004/2005 to a debtor in 2005/2006 (see Note 9) and a reduction in year end accruals of £2,398,467.

## 12. Loans repayable within a period of over 12 months

The Council became debt free during 2003/2004. It has not been necessary during 2005/2006 to borrow either on a long term or short term basis and therefore the Council had no external borrowing outstanding at 31<sup>st</sup> March 2006.

## 13. Deferred Liabilities

Deferred liabilities are for the discharge of future finance leasing costs in respect of the lease of offices, the capitalised value of which is included in Fixed Assets.

## 14. Government Grants - Deferred

The Warwickshire On-Line Partnership (WOLP) is a collaboration of all six local authorities in Warwickshire:

Warwickshire County Council,  
Warwick District Council,  
Stratford-on-Avon District Council,  
Nuneaton and Bedworth Borough Council,  
Rugby Borough Council,  
North Warwickshire Borough Council.

WOLP was granted £2m in June 2002 (received and managed by North Warwickshire Borough Council) as part of the Local Government On-Line (LGOL) programme to support partnership projects administered by the Office of the Deputy Prime Minister (ODPM). As part of the successful submission for the LGOL grant, the partnership proposed a project to explore the opportunity to collaborate in the development of a unified approach to improve the customer experience.

The joint contact centre was awarded funds by ODPM because it can offer significant benefits which it hopes / expects can be realised across local government. These benefits are:

## NOTES TO THE CONSOLIDATED BALANCE SHEET

- Service improvement to customers and extension of service provision such as extended or alternative hours of service;
- Provides an integrated approach to offering wider range of access channels to the customer from a single point, for example, telephony, e-mail response, letter handling and internet enquiries.
- Collaboration partnership working between members of WOLP will be more cost effective in the longer term than independent working.

In terms of WOLP, this means six authorities operating their own locally managed centre, with county wide data links that interrogate all partners' telephony, information and knowledge in a way that enable delivery of joined up service to the citizen. Warwick District Council's centre went live in September 2004.

The Council's share of the initial assets of the joint project amount to £333,372 and this has been brought into the accounts for 2005/2006. At the same time as the assets themselves being brought into the Council's accounts a similar amount of £333,372 has been credited to the Government Grants Deferred Account. The annual charge to revenue for these assets based on a 4 year life will be met from this account thus ensuring that there is nil impact on the Council's resources. The annual charge for 2005/2006 is £83,343 which has been met by a similar amount being credited to revenue from the Government Grants Deferred Account.

In 2005/2006 capital expenditure amounting to £209,489 has been incurred on the WOLP project of which £24,550 has been charged to the other partners in a similar fashion to the £333,372 charged to WDC. The expenditure has been financed by a mixture of capital receipts and contributions from the other partners.

### 15. Deferred Credits

The Council used to provide mortgages in certain cases when council houses were sold, and the capital sum due from the sale is recoverable over the period of the mortgage. The amount shown in the balance sheet represents the sale proceeds yet to be received. (See note 8).

### 16. Provisions

Provisions include insurance cover in respect of outstanding claims from the public. The extent of the provisions relates to the excesses on existing claims as at 31 March 2006 where such excesses have been negotiated when agreeing premiums. Provision for these insurance commitments is £543,006. A separate Provision is maintained for the General Fund (£357,465) and the Housing Revenue Account (£185,541).

Movements on the provisions during the year as follows:

	Balance at 1 April 2005 £'000	Transfers To Provision £'000	Transfers From Provision £'000	Balance at 31 March 2006 £'000
General Fund:				
- Insurance Provision	437	0	(80)	357
Housing Revenue Account:				
- Insurance Provision	252	0	(66)	186
<b>TOTAL</b>	<b>689</b>	<b>0</b>	<b>(146)</b>	<b>543</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 17. Disclosure of net Pensions asset / liability

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Warwickshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets. Note 4 to the Consolidated Revenue Account contains details of the Council's participation in the Pension Scheme.

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

	31 March 2006 £'000	31 March 2005 £'000
Estimated liabilities in scheme	(83,458)	(72,948)
Market Value of assets in scheme	63,518	52,072
<b>Net asset / (liability)</b>	<b>(19,940)</b>	<b>(20,876)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £19.94m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy – the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Warwickshire County Council Fund liabilities have been assessed by William M. Mercer, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2004. The main assumptions in their calculations have been:

	2005/2006	2004/2005
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.7%	4.7%
Rate of increase in pensions	2.9%	2.9%
Rate for discounting scheme liabilities	4.9%	5.4%

Assets in the Warwickshire County Council Pension Fund are valued at fair price, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Expected Return	31 March 2006	31 March 2005
Equities	7.00%	64.0%	75.3%
Government Bonds	4.30%	14.0%	8.9%
Other Bonds	4.90%	21.0%	13.9%
Property	6.00%	0.0%	0.0%
Cash / Liquidity	4.50%	1.0%	1.9%
Other assets	7.50%	0.0%	0.0%
		<b>100.0%</b>	<b>100.0%</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

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

At the last valuation (31 March 2004) the actuary concluded that the funding level had fallen to 82% from its previous level of 102%. A plan has been put in place to increase the employer's contribution rate over a period of 6 years commencing 2005/2006 in order to restore the funding level to 100%.

### 18. Fixed Asset Restatement Account

The establishment of the Fixed Asset Restatement Account was required with the introduction of a new system of capital accounting with effect from 1994/1995. The initial balance represented the difference between the valuation of assets under the previous system and the revaluation as at 1 April 1994 less any deferred liabilities brought into account. The Account is written down by the net book value of assets as they are disposed of and debited or credited with the deficit or surplus arising on subsequent revaluations. See page 39 for details in the movements in this Account.

### 19. Capital Financing Account

The Capital Financing Account contains the amount of capital expenditure financed from revenue, usable capital receipts and capital grants. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans (the Minimum Revenue Provision - see Note 6 to the Consolidated Revenue Account for the calculation). See page 39 for details in the movements in this Account.

	£'000	£'000
<b>Balance brought forward 1 April 2005</b>		<b>83,446</b>
Credits to the Reserve:		
- Government Grants Deferred written out	83	
- Capital Expenditure financed from Capital Receipts	3,304	
- Capital Expenditure financed from Revenue and Reserves	7,390	10,777
		<u>94,223</u>
Debits to the Reserve:		
- Intangible Assets written out	(3,315)	
- Housing Advances principal repaid	(1)	
- Minimum Revenue Provision (M.R.P.) - net of depreciation	(6,589)	(9,905)
<b>BALANCE CARRIED FORWARD 31 MARCH 2006</b>		<b><u>84,318</u></b>

Intangible Assets form part of the capital charges included in the Revenue Service Accounts and are credited to the Capital Financing Account in order to remove their impact on Council Tax. The Intangible Assets written out debit to the Capital Financing Account contains the £83,343 WOLP assets amortised to revenue referred to in note 14 and the Capital Financing Account is also credited with a similar amount of Government Grant Deferred thus ensuring that there is a nil impact on the General Fund in respect of this expenditure.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 20. Usable Capital Receipts Reserve

Under the Local Government and Housing Act 2003 when Housing Revenue Account assets are sold a proportion of the proceeds must be paid over to the Office of the Deputy Prime Minister ( typically 75% of the proceeds from the sale of council houses ). For debt free authorities, such as this Council, there are transitional arrangements in force which enable the Council to reduce this "pooling" arrangement. After deduction of the pooling element the remaining proportion of the proceeds are held as usable capital receipts until used to finance capital expenditure. It was not possible in 2005/2006 to fully utilise usable capital receipts generated in the year and a balance of £6.449m remained at the year end.

### 21. Major Repairs Reserve

Under the new Resource Accounting regime there is a statutory requirement to keep a Major Repairs Reserve Account. The account holds an amount equivalent to the Major Repairs Allowance received as part of the subsidy payment. Certain elements of Housing capital expenditure are financed from this Reserve and the balance at 31<sup>st</sup> March 2006 was £3,108m.

### 22. Earmarked Reserves

Earmarked reserves include reserves to meet future capital expenditure (£3.354m), reserves to meet housing repairs excluding the Major Repairs Reserve (£4.247m) and reserves set aside for specific revenue schemes (£2.653m). They comprise:

	2005/2006 £'000	2004/2005 £'000
<b>Capital Reserves</b>		
Car Parks Commuted Sums	236	231
Capital Investment	1,924	1,658
I.T. and New Equipment	56	285
G.F. External Contributions	574	476
RSL S106 External Contributions	706	771
WOLP External Contributions	189	199
<b>Housing Repairs Reserves</b>		
Housing Repairs Account	4,247	4,056
<b>Specific Revenue Reserves</b>		
Grounds Maintenance Commuted Sums	725	698
Corporate Property	241	237
Insurance	340	340
Election Expenses	49	29
Art Fund	30	33
Energy Management	35	13
Best Value	107	105
Assembly Rooms Repairs and Renewals	8	0
Art Gallery Gift	55	57
Planning Appeals	417	286
Early Retirement	244	62
Collection Fund Reserve	32	109
Building Control	55	6
Earmarked Balances Reserve	602	712
Housing Early Retirement	44	37
<b>TOTAL Earmarked Reserves at 31 March</b>	<b>10,916</b>	<b>10,400</b>

These Reserves are listed in more detail on page 41.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 23. Collection Fund Balance

The reduction in the Collection Fund Balance is due to receipts of £731,000 from the major precepting authorities, based on the estimated deficit of the Fund at 15 January 2005, offset by a shortfall in Council Tax receipts as a result of overestimating the number of new properties paying in 2005/2006.

## 24. General Fund Revenue Balance

The Council has decided that it is prudent to maintain a General Fund Revenue Balance of £1.1m.

## 25. Investments - Related Businesses and Companies

The Council has an interest in the following companies:

### South Warwickshire Tourism Limited

The principal activity of the company is to develop and promote tourism in South Warwickshire. The company was set-up by Warwick District Council, Stratford-on-Avon District Council and various tourism related businesses within the area. During 2005/2006 Warwick District Council's contribution was £219,216 (£202,305 in 2004/2005). Annual turnover of the company is £1.29m (£1.23m in 2004/2005). The company has 437 members at 31 March 2006 (402 at 31 March 2005) each guaranteeing an amount not exceeding £1. There are 13 directors on the company's board of which 3 are Warwick District Council members.

The financial performance of the company is as follows:

	2005/2006 £	2004/2005 £
Net Assets at 31 March	95,822	112,742
Profit / (Loss) before tax	(24,719)	32,758
Profit / (Loss) after tax	(20,719)	26,228

A copy of the audited accounts can be obtained from South Warwickshire Tourism Limited, 3 Trinity Mews, Priory Road, Warwick, CV34 4NA.

### Regenesis - The Leamington Old Town Community Partnership

The company was incorporated on 18 May 2000 and commenced trading on that date and became a registered charitable company during 2001/2002. The principal activity of the company is the regeneration of Leamington Old Town. The company was set-up by Warwick District Council and other various statutory and voluntary bodies. Funding is from the Single Regeneration Budget, Round 5 (SRB5) for which Warwick District Council acts as the accountable body. During 2005/2006 the Council incurred net expenditure of £117,947 (£112,506 in 2004/2005) in respect of the operations of Regenesis. Annual turnover of the company is **£1,719,696** (£1,719,696 in 2004/2005). The company is limited by guarantee of an amount not exceeding £1 per member. There were **21** members on the company's board during 2005/2006 of which **2** are Warwick District Council members.

The financial performance of the company is as follows:

	2005/2006 £	2004/2005 £
Net Assets at 31 March	0	1,395,091
Net movement in funds before tax	0	45,054
Net movement in funds after tax	0	45,054

A copy of the audited accounts can be obtained from Regenesis, 4 - 6 Clemens Street, Leamington Spa, CV31 2DP



## CONSOLIDATED REVENUE ACCOUNT

		Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	Notes	2005/2006 £'000	2005/2006 £'000	2005/2006 £'000	2004/2005 £'000
Central Services to the Public		8,114	(7,305)	809	810
Cultural and Related Services		10,172	(3,073)	7,099	6,919
Environmental Services		7,612	(2,007)	5,605	5,280
Planning and Development Services		5,585	(2,747)	2,838	2,167
Highways, Roads and Transport Services		3,352	(2,342)	1,010	825
Housing Services		47,792	(37,897)	9,895	10,431
Corporate and Democratic Core		2,449	(511)	1,938	2,225
Non-Distributed Costs		238	0	238	218
<b>Net Cost of Services</b>		<b>85,314</b>	<b>(55,882)</b>	<b>29,432</b>	<b>28,875</b>
Parish Council Precepts	1	829	0	829	770
Asset Management Revenue Account	2	0	(9,043)	(9,043)	(8,670)
Contribution to Housing Pooled Capital Receipts		953	0	953	799
Interest and Investment Income	3	0	(1,493)	(1,493)	(1,334)
Pensions Interest Cost	4	3,930	0	3,930	3,612
Expected Return on Pensions Assets	4	0	(3,461)	(3,461)	(3,350)
<b>Net Operating Expenditure</b>		<b>91,026</b>	<b>(69,879)</b>	<b>21,147</b>	<b>20,702</b>
Transfer to / (from) H. R. A. Balances				1,270	(82)
Transfers from Earmarked Reserves	5			168	283
Capital Expenditure Financed from Revenue				(309)	1,247
Provisions for Loan Repayments	6			(6,589)	(6,235)
Payments Payable to Pension Fund	4			1,371	1,230
Movement on Pensions Reserve	4			(1,082)	(2,061)
Housing Pooled Capital Receipts transfer from Usable Capital receipts Account				(953)	(799)
<b>Amount to be met from Government Grants and Local Taxation</b>				<b>15,023</b>	<b>14,285</b>
General Government Grants				(4,426)	(4,243)
Non-Domestic Rates Distribution				(3,834)	(3,487)
Demand on Collection Fund				(6,944)	(6,581)
Transfers to the Collection Fund in respect of deficits				81	26
<b>Net General Fund (Surplus) / Deficit</b>				<b>(100)</b>	<b>0</b>
Balance on General Fund Brought Forward				(1,000)	(1,000)
<b>Balance on General Fund Carried Forward</b>				<b>(1,100)</b>	<b>(1,000)</b>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. Precepts Paid to Towns / Parishes

The total precepts paid to Town and Parish Councils in 2005/2006 amounted to £829,086.81. The sum is financed from this Council's council tax demand on the Collection Fund.

### 2. Asset Management Revenue Account

This account allows the Council to offset the impact of notional capital charges, net of depreciation, in arriving at the total level of expenditure to be financed from government grants and local taxpayers. The actual payment of external interest is charged to this account. The transactions for 2005/2006 were:

	£'000	£'000
<b>Income</b>		
Deferred Government Grants	(22)	
Capital Charges:		
- General Fund	(4,497)	
- Housing Revenue Account	(11,885)	(16,404)
		<u>(16,404)</u>
<b>Expenditure</b>		
Provision for depreciation	6,589	
External interest paid	754	
Finance lease interest paid	18	7,361
		<u>7,361</u>
<b>Net Income</b>		<u><u>(9,043)</u></u>

The balance shows that the actual cost of depreciation, the costs of servicing debt and leasing arrangements to provide for capital assets is less than the notional capital charges (i.e. rents) charged to services for the use of those assets.

### 3. Interest and Investment Income

Interest earned on external investments totalled £1,492,829. This includes interest on the General Fund and Housing Revenue Account (H.R.A.), Set-Aside Capital Receipts and reserve balances. Of the total interest earned, interest on H.R.A. balances (£439,891) is credited to the H.R.A. via the capital charges above, and contributions totalling £83,734, equivalent to the interest on reserves, are credited to the reserves as part of the overall contributions set out in note 5.

### 4. Pensions

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Warwickshire County Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### Pensions (continued)

	2005/2006 £'000	2004/2005 £'000
Net Cost of Services:		
- current service cost	1,820	1,773
- past service costs	(1,207)	26
Net Operating Expenditure:		
- interest cost	3,930	3,612
- expected return on assets in the scheme	(3,461)	(3,350)
Amounts to be met from Government Grants and Local Taxation:		
- movement on pensions reserve	(1,082)	(2,061)
<b>Effect on Council Tax</b>	<u>0</u>	<u>0</u>
Actual amount charged against council tax for pensions in the year:		
- employer's contribution payable to scheme	1,371	1,230

Note 18 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 3 to the Statement of Total Movements in Reserves details the costs that have arisen through the year. Estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

### 5. Transfers from Earmarked Reserves

The following contributions to / (from) Earmarked Reserves were made:

	2005/2006 £'000	2004/2005 £'000
Transfers to Earmarked Reserves	8,436	9,302
Transfers from Earmarked Reserves	(8,004)	(6,471)
Contributions in lieu of interest (see note 3)	84	100
<b>Total Movements in Earmarked Reserves (see page 41)</b>	<u>516</u>	<u>2,931</u>
<b>Exclude: Movements in Reserves outside Revenue Account</b>	<u>(348)</u>	<u>(2,648)</u>
<b>Net Transfers from Earmarked Reserves to Revenue Account</b>	<u>168</u>	<u>283</u>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 6. Provisions for Loan Repayments

The minimum revenue provision (M.R.P.) for the repayment of external loans net of depreciation charges has been calculated as follows:

<b>Minimum Revenue Provision</b>	<b>£'000</b>
General Fund - 4% of opening Capital Financing Requirement *	0
<b>Less:</b>	
Amounts charged as depreciation	(6,589)
<b>Minimum Revenue Provision (net)</b>	<b><u>(6,589)</u></b>

\* The General Fund Capital Financing Requirement at 1<sup>st</sup> April 2005 was negative therefore there is no Minimum Revenue Provision required for 2005/2006. Under the new Capital Finance Regulations, the requirement to provide Minimum Revenue Provision within the Housing Revenue Account has been abolished.

### 7. Publicity

Section 5(1) of the Local Government Act 1986 requires the Council to keep a memorandum account of expenditure on publicity. The Council's spending on publicity during 2005/2006 is as follows:

	2005/2006 £'000	2004/2005 £'000
Recruitment Advertising	131	94
Tourism Promotion	307	283
Industrial and Commercial Development	306	297
Other Publicity	30	25
<b>Total Publicity</b>	<b><u>774</u></b>	<b><u>699</u></b>

A wide range of costs are included in the above figures covering staff salaries, associated office equipment, running expenses, the printing of publicity and the staging of exhibitions.

### 8. Leasing

During 2005/2006 £187,975 was paid to lessors in respect of finance leases for land and buildings and £39,681 paid in respect of operating leases on photocopiers and plan printer. The value of the outstanding undischarged obligations on finance leases is £430,864 and operating leases is nil.

The authority is committed to making payments of £38,350 under these leases in 2006/2007, comprising the following elements:

Leases expiring in 2006/2007	£5,000
Leases expiring in 2031/2032	£33,350

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 9. Audit Costs

In 2005/2006 the council incurred the following fees relating to external audit and inspection:

	2005/2006 £'000	2004/2005 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	96	86
Fees payable to the Audit Commission in respect of statutory inspection	0	13
Fees payable to the Audit Commission for the certification of grant claims and returns	36	12
Fees payable in respect of other services provided by the appointed auditor	2	3
<b>TOTAL PAID</b>	<u>134</u>	<u>114</u>

The fees for other services payable in 2005/2006 is in respect of a V.A.T. Helpline.

### 10. Members' Allowances

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

The total value of allowances paid to this authority's members during 2005/2006 were:

	2005/2006 £'000	2004/2005 £'000
<b>Allowances:</b>		
Basic	195	181
Special Responsibility	52	41
<b>Total Allowances</b>	<u>247</u>	<u>222</u>

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

# NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

## 11. Officers' Emoluments

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

	Number of Employees	
	Total 2005/2006	Total 2004/2005
£50,000 - £59,999	6	3
£60,000 - £69,999	3	2
£70,000 - £79,999	0	0
£80,000 - £89,999	0	1
£90,000 - £99,999	1	0

## 12. Trading Operations

Under previous legislation the Council established two direct service organisations (D.S.O.s) which operated as trading operations. These were Housing (Contractor) and Sports and Leisure Management. Both are now outside their original contract periods and following the demise of the previous legislation are no longer regarded as trading operations.

## 13. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities:

Building Regulations Charging Account 2005/2006	Chargeable 2005/2006 £'000	Non- Chargeable 2005/2006 £'000	Total Building Control 2005/2006 £'000
Expenditure	515	179	694
Income	(563)	0	(563)
<b>(Surplus) / Deficit for Year</b>	<b>(48)</b>	<b>179</b>	<b>131</b>
2004/2005 Net (Income) / Expenditure	(6)	135	129

## 14. Related Party Transactions

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

### Central Government

Has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### Warwickshire County Council and Warwickshire Police Authority

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in note 4 to the Consolidated Revenue Account.

### Precepting Bodies

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2005/2006 the total precepts issued totalled £829,087. The major preceptors were:

	<b>£'000</b>
Warwick Town Council	<b>246</b>
Royal Leamington Spa Town Council	<b>227</b>
Kenilworth Town Council	<b>96</b>
Whitnash Town Council	<b>69</b>

### Council Members and Chief Officers

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

Council Members have direct control over the Council's financial and operating policies. Grants totalling £241,248 were paid to voluntary organisations in which eleven members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The major grants awarded were:

	<b>£'000</b>
Hill Close Gardens Trust	<b>81</b>
Citizens' Advice Bureau	<b>71</b>
Council for Voluntary Services	<b>35</b>
The GAP	<b>24</b>
Warwick District Mobility	<b>10</b>

In addition, three councillors are on the board of South Warwickshire Tourism Limited - during 2005/2006 the Council made a contribution of £219,216 (£202,303 in 2004/2005) towards their activities. Also two councillors are on the board of Regenesys - the Council incurred net expenditure of £117,947 (£112,506 in 2004/2005) towards their operations.

The Council also made payments amounting to £34,173 (£22,694 in 2004/2005) to the Coventry, Solihull and Warwickshire Partnership (CSWP) in respect of its contribution towards the CSWP's support costs. 1 WDC Councillor is on the CSWP board.

One councillor undertakes occasional contract work for a company that provides professional services to the Council. During 2005/2006 they undertook work to the value of £58,000.

Details of Members' Allowances and Officer Salaries are disclosed in notes 10 and 11 respectively.

# HOUSING REVENUE ACCOUNT

	Notes	Actual 2005/2006 £'000	Actual 2004/2005 £'000
<b>INCOME</b>			
Dwelling Rents	1	(16,625)	(15,882)
Non-Dwelling Rents		(678)	(644)
Charges for Services and Facilities		(224)	(215)
Contributions Towards Expenditure		(550)	(532)
Transfers from General Fund - items shared by the whole Community		(32)	(31)
<b>TOTAL INCOME</b>		<b>(18,109)</b>	<b>(17,304)</b>
<b>EXPENDITURE</b>			
Contribution to Housing Repairs Account	2	3,135	3,027
Supervision and Management		4,464	3,976
Rents, Rates, Taxes and Other Charges		27	20
Increased Provision for Bad Debts	3	146	161
Sums Directed by the Secretary of State	4	4,472	4,601
Cost of Capital Charge	5	11,131	10,624
Depreciation of Fixed Assets	6	4,044	3,739
Amortisation of Intangible Assets	7	85	111
<b>TOTAL EXPENDITURE</b>		<b>27,504</b>	<b>26,259</b>
<b>Net Cost Of Services</b>		<b>9,395</b>	<b>8,955</b>
Net HRA income from Asset Management Revenue Account		(11,629)	(11,015)
Pensions Interest Cost		0	0
Expected Return on Pensions Assets		0	0
Amortised Premiums and Discounts		735	745
HRA Investment Income		(449)	(398)
<b>Net Operating Expenditure / (Income)</b>		<b>(1,948)</b>	<b>(1,713)</b>
HRA Share of contributions to or from the Pension Reserve		0	0
Revenue Contribution to Capital Expenditure	2	900	1,800
HRA Contribution to Minimum Revenue Provision		0	0
Contributions to / (from) Reserves		(30)	95
Transfer to Major Repairs Reserve		(192)	(100)
<b>(Surplus) / Deficit for Year</b>		<b>(1,270)</b>	<b>82</b>
Balance Brought Forward		(1,202)	(1,284)
<b>Balance carried forward</b>		<b>(2,472)</b>	<b>(1,202)</b>



# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Dwelling Rents

This is the total rent income from dwellings due for the year after allowance is made for voids, etc. During 2005/2006 the allowance for voids was 0.67% of the gross debit compared with 0.74% in 2004/2005. Average rents were £56.57 a week in 2005/2006 an increase of £2.97, or 5.54%, over the previous year.

## 2. Contribution to Housing Repairs Account

The Local Government and Housing Act 1989 gives an authority the choice to maintain a Housing Repairs Account rather than charge repairs direct to the Housing Revenue Account. Contributions from the Housing Revenue Account are made to cover both revenue and capital expenditure, which in 2005/2006 totalled £4.035m, and the benefit of such an arrangement is that fluctuations in expenditure levels do not affect the Housing Revenue Account. Details of the Housing Repairs Account are shown on page 36.

## 3. Bad or Doubtful Debts

Net rent arrears amounted to £900,322 at 31<sup>st</sup> March 2006 (£949,443 at 31<sup>st</sup> March 2005). They consist of current rent arrears, long term rent arrears and prepayments. During 2005/2006, the current rent arrears (dwellings and garages) increased from £591,192 to £621,505. As a proportion of net rent collectable (gross rent net of housing benefit payments), it increased from 7.28% to 7.38%. Total arrears increased from £725,704 to £786,071, proportionally, a rise from 8.94% to 9.33%. The aggregate provision for uncollectable debts is £504,430 as at the 31<sup>st</sup> March 2006.

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

Previously, Housing Subsidy was a significant item of income to the Housing Revenue Account. Subsidy was calculated using a "model" of an authority's Housing Revenue Account, which comprised of two parts, the "Housing Element" and the "Rent Rebate Element". Figures used in the model were based on annual assumptions made by the Government on rents to be charged, expenditure on management and maintenance, "notional" ( not actual ) costs of loan charges and various other items of income and expenditure. These items essentially make up the "Landlord" functions of an authority and would form the "Housing Element" of the Subsidy calculation. The "Rent Rebate Element" consisted of the majority of the rent rebate expenditure which was charged to the Housing Revenue Account. If the Housing Element was calculated as a surplus then that surplus would be used as a contribution towards the cost of Rent Rebates within the "Rent Rebate Element" being 'netted off' against this surplus and the balance paid to the authority as Housing Subsidy.

From 2004/2005, there has been a change in the way that the Government treats the costs of Rent Rebates made to council tenants. Rent Rebates are no longer included as expenditure in the Housing Revenue Account, with the net costs being reimbursed to the authority via the Housing Subsidy claim. They are now being administered in the same way as Housing Benefits to other Social Housing Landlords, via the General Fund Account.

The "Rent Rebate Element" is now excluded from the calculation. Any "surplus" which is produced following calculation of the "Housing Element" is now debited to the Housing Revenue Account and paid to the Government as a contribution to the National Housing Rent Pool as "sums Directed by the Secretary of State". In 2005/2006, the contribution payable was £4.411m (£4.436m in 2004/2005)

A further effect of moving the payment of Rent Rebates to the General Fund is that the burden of any overpayments or errors not subsidised by the Government now falls on the General Fund instead of the Housing Revenue Account. To help mitigate these costs, the Government put in place "transitional arrangements" for 2004/2005 and 2005/2006 which allows sums to be transferred from the Housing Revenue Account to the General Fund. In 2005/2006, the amount transferred was £61,575 (£116,950 in 2004/2005).

## NOTES TO THE HOUSING REVENUE ACCOUNT

The calculation is as follows:

	2005/2006 £'000	2004/2005 £'000
<b>CREDITS:</b>		
Rents	16,424	15,824
Other Income	9	18
<b>TOTAL CREDITS</b>	<b>16,433</b>	<b>15,842</b>
<b>DEBITS</b>		
Management and Maintenance	7,041	6,507
Major Repairs Allowance	3,438	3,359
Loan Charges	1,491	1,461
Other Allowances	52	79
Balance to National Housing Pool	4,411	4,436
<b>TOTAL DEBITS</b>	<b>16,433</b>	<b>15,842</b>

### 5. Cost of Capital Charge

Under Housing Resource Accounting, it is a requirement that the Housing Revenue Account is debited with a notional cost of capital charge which is intended to reflect the interest payable on capital tied up in the Housing Revenue Account assets. This is based on the Housing Revenue Account property values contained in the balance sheet calculated on an equated basis (opening and closing values added together and then divided by two). The charge is based on 3.5% of these values. The 2005/2006 charge amounts to £11,131,348. However the outstanding cost of financing the Housing assets is much lower than the notional cost of capital charge and therefore an adjustment is made to ensure that the Housing Revenue Account bears only the true cost which is needed to be financed.

The true cost is the proportion of external borrowing interest paid by the Council chargeable to the Housing Revenue Account. The authority is currently debt free so no external borrowing interest is payable by the Council and none therefore charged to the Housing Revenue Account. The adjustment required to substitute the notional cost of capital with the actual interest to be borne by the Housing Revenue Account is effected through the Housing Revenue Account Asset Management Revenue Account.

### 6. Depreciation of Fixed Assets

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

	2005/2006 £'000	2004/2005 £'000
Operational Assets (Dwellings, Other Land, Buildings)	4,044	3,739
Non-Operational Assets	0	0
<b>TOTAL DEPRECIATION</b>	<b>4,044</b>	<b>3,739</b>

A full valuation of the stock has to be undertaken every 5 years and the latest one was carried out during 2005/2006. This has resulted in a higher valuation of the stock and a consequent increase in the level of depreciation.

## NOTES TO THE HOUSING REVENUE ACCOUNT

7. During 2005/2006 the Housing Revenue Account incurred capital expenditure amounting to £85,258 on Intangible Assets which is capital expenditure incurred by the Council on non-physical assets. Of this, £37,500 was spent on Assisted Elderly Persons Transfer Scheme Payments enabling elderly people to move to more suitable accommodation freeing up larger housing stock for families. A further £47,758 was spent on the new Housing Management System Software. In the latter case there is no definite life over which to amortise the cost so together with the expenditure on Assisted Elderly Persons Transfer Scheme the entire cost was amortised to revenue in 2005/2006.

### 8. Housing Stock

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

	<b>31 March 2006 Nos.</b>	<b>31 March 2005 Nos.</b>
Houses	2,554	2,570
Flats	2,453	2,473
Bungalows	670	670
	<u>5,677</u>	<u>5,713</u>

The change in housing stock can be summarised as follows:

	<b>2005/2006 Nos.</b>	<b>2004/2005 Nos.</b>
Stock at 1 April	5,713	5,779
Purchases	0	0
Sales	(36)	(65)
Conversions	0	0
Other Disposals	0	(1)
Change of Use	0	0
	<u>5,677</u>	<u>5,713</u>

### 9. Valuation of Dwellings

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

	<b>1 April 2005 £'000</b>	<b>1 April 2004 £'000</b>
Vacant Possession Value of Dwellings	637,077	537,382
Balance Sheet Value of Dwellings	312,168	300,934
<b>Economic Cost to Government</b>	<u>324,909</u>	<u>236,448</u>

It should be noted that the above values are based on revaluations at 1<sup>st</sup> April and, therefore, are not comparable with the values shown in the Consolidated Balance Sheet on page 11. The figures above exclude leased dwellings.

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 10. Housing Revenue Account Fixed Assets

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

	1 April 2005 £'000	31 March 2006 £'000
Operational Assets:		
- Dwellings	312,258	311,263
- Other Land and Buildings	6,308	5,937
Non-Operational Assets	0	0
<b>Total Balance Sheet Items</b>	<b>318,566</b>	<b>317,200</b>

## 11. Summary of Capital Expenditure

	2005/2006 £'000	2004/2005 £'000
Internal Borrowing	0	0
Prudential Borrowing	0	0
Usable Capital Receipts	70	3,411
Revenue and Other Contributions	699	0
Major Repairs Reserve	3,915	1,731
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>4,684</b>	<b>5,142</b>

## 12. Summary of Capital Receipts

	2005/2006 £'000	2004/2005 £'000
Sale of Council Houses	2,567	4,476
Sale of Land	31	11
Repayment of Discount	69	95
Housing Advances Repaid	1	0
Sale of Council Houses Advances Repaid	34	47
Repayment of Grants	12	0
<b>TOTAL CAPITAL RECEIPTS</b>	<b>2,714</b>	<b>4,629</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

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

The 2005 Statement of Recommended Practice (S.O.R.P.) requires that retirement benefits within the H.R.A. be accounted for in a similar way to that shown within the Consolidated Revenue Account shown on page 23. In June 2004 advice was issued by CIPFA giving guidance on the accounting entries required for the 2003/2004 accounts and stating that guidance for the 2004/2005 accounts would be issued in good time to enable the 2004/2005 Statement of Accounts to reflect the S.O.R.P. requirements, to date this guidance has not been received. Therefore, it has been necessary to use the 2003/2004 guidance which, due to the lack of consensus on the treatment of pensions within the H.R.A., gave several alternative accounting treatments and left it to each authority to decide how to account for FRS 17 within the HRA. It is this Council's view, pending receipt of the new guidance, that as the entries on the Housing Revenue Account are defined by statute it is not possible to show the FRS 17 based cost components due to inconsistency with legislative requirements. In addition the H.R.A. is in a multi employer situation and it is not possible to identify the H.R.A.'s share of the assets and liabilities of the pension scheme with any degree of consistency or accuracy. Any entries in the Housing Revenue Account on the foregoing basis would therefore be valueless and the 2005/2006 Housing Revenue Account has been prepared on the same basis as 2004/2005.

## HOUSING REPAIRS ACCOUNT

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

	Notes	Actual 2005/2006 £'000	Actual 2004/2005 £'000
<b>INCOME</b>			
Contribution from Housing Revenue Account		(4,035)	(4,827)
Service Charges		(1)	0
<b>TOTAL INCOME</b>		<u>(4,036)</u>	<u>(4,827)</u>
<b>EXPENDITURE</b>			
Major Works Programme		1,297	1,287
Routine Maintenance		1,852	1,746
Revenue Contribution to Capital Outlay	1	696	0
Service Charges		0	1
<b>TOTAL EXPENDITURE</b>		<u>3,845</u>	<u>3,034</u>
<b>Net (Surplus) / Deficit to Balances</b>		<b>(191)</b>	<b>(1,793)</b>
Balance Brought Forward		<u>(4,056)</u>	<u>(2,263)</u>
<b>Balance carried forward</b>	2	<u><u>(4,247)</u></u>	<u><u>(4,056)</u></u>

### 1. Revenue Contribution to Capital Outlay

The Housing Repairs Account normally makes a contribution to support the Housing capital programme and in 2005/2006 this was £0.7m, compared to nil in 2004/2005.

### 2. Balance on Account

The balance on the account has increased to £4.2m which will be used to accommodate slippage in the 2005/2006 programme and future housing repair needs.

## HOUSING MAJOR REPAIRS RESERVE

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

	Notes	Actual 2005/2006 £'000	Actual 2004/2005 £'000
<b>INCOME</b>			
MRA Subsidy		(3,439)	(3,358)
Depreciation on Non-Dwelling Assets		(372)	(257)
Dwellings Depreciation Adjustment		(192)	(100)
<b>TOTAL INCOME</b>		<b>(4,003)</b>	<b>(3,715)</b>
<b>EXPENDITURE</b>			
MRA Contribution to Capital Expenditure	1	3,915	1,731
Non-Dwelling Assets Depreciation Adjustment	2	372	257
Dwellings Assets Depreciation Adjustment	3	192	100
<b>TOTAL EXPENDITURE</b>		<b>4,479</b>	<b>2,088</b>
<b>Net (Surplus) / Deficit to Balances</b>		<b>476</b>	<b>(1,627)</b>
Balance Brought Forward		(3,584)	(1,957)
<b>Balance carried forward</b>	4	<b>(3,108)</b>	<b>(3,584)</b>

### 1. MRA Contribution to Capital Expenditure

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

### 2. Depreciation on Non-Dwelling Assets

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

### 3. Dwellings Depreciation Adjustment

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

### 4. Balance on Account

The balance on the account, at the end of March 2006 is £3.1m which can be used for capital expenditure in future years to help maintain the condition of the stock and increase the life of the property and number of tenancy years occupation. Under the new Housing Capital Finance regime it can also be used to repay the principal of loans incurred as part of the Council's Prudential Borrowing Strategy. It cannot, however, be used to pay for debt servicing costs i.e. repayment of interest due.

# STATEMENT OF CAPITAL EXPENDITURE

	Actual 2005/2006		Actual 2004/2005	
	£'000	£'000	£'000	£'000
<b>HOUSING INVESTMENT PROGRAMME</b>				
Improvements and Renewals	4,104		4,385	
Housing Associations	1,048		743	
Private Sector Renewals	487		495	
Aids and Adaptations	282		78	
Asbestos Survey	120		252	
Environmental Improvements	56		49	
Equipment / Software	48		162	
Cash Incentive Scheme	37		40	
Conversions	35		17	
Energy Conservation Works	2	6,219	160	6,381
<b>OTHER SERVICES' PROGRAMME</b>				
e-government and I.C.T. Strategy	1,751		1,066	
St. Mary's Lands	950		2,074	
Cultural Quarter	600		33	
Flood Alleviation Schemes	218		15	
Gym Equipment	169		0	
Footpath Repairs	105		0	
Hill Close Gardens	81		0	
Rural Initiatives	75		9	
Conservation Grants	73		36	
Large Cemetery Monuments Refurbishment	60		0	
Jephson Gardens Improvements	57		70	
Public Conveniences	51		49	
Recycling Projects	51		99	
Electricity Back Up Generator	45		1	
Edmondscote Track and Buildings Refurbishment	31		11	
Computer Room Fire Suppression	31		0	
Planning Development Grant Funded Items	24		0	
Harbury Lane Sports Pavilion	22		353	
Tree and Woodland Strategy	16		0	
New Youth Facilities	16		139	
Newbold Comyn / Castle Farm Drainage	12		8	
Old Town Square/Bath Street	11		0	
Covent Garden Car Park	6		0	
Campion Hills Cycleway and National Cycle Network	6		7	
Kenilworth Town Centre Improvements	5		0	
Public Arts Funding	5		20	
Adelaide Road Pay and Display Car Park	3		9	
Refurbishment of Court Street Railway Arches	2		0	
Replacement Dog Litter Bins	1		11	
St. Nicholas Park All Weather Pitch Replacement	0		17	
Crematorium Refurbishment	0		10	
Jephson Gardens Catering Equipment	0		106	
Town Centre Developments / Regeneration	0		1	
St Peters Car Park Safety & Security Improvements	0		122	
Rural Outreach Project	0		5	
I.T. Air Conditioning	0		34	
Leamington Old Town	0		1	
Play Areas / Play Equipment	(2)	4,475	41	4,347
<b>TOTAL CAPITAL EXPENDITURE</b>		<b>10,694</b>		<b>10,728</b>
<b>FINANCED BY:</b>				
Capital Receipts		3,304		6,983
Revenue and Other Contributions		7,390		3,745
<b>TOTAL CAPITAL FINANCING</b>		<b>10,694</b>		<b>10,728</b>



## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

<b>1. CAPITAL RESERVES</b>	<b>Fixed Asset Restatement Account £'000</b>	<b>Capital Financing Account £'000</b>	<b>Useable Capital Receipts £'000</b>	<b>Total Capital Accounts £'000</b>
<b>Balance 1 April 2005</b>	<b>308,947</b>	<b>83,446</b>	<b>5,185</b>	<b>397,578</b>
Net Surplus / (Deficit) for year	(5,299)	0	0	(5,299)
Unrealised gains on valuation of new fixed assets	5,299	0	0	5,299
Unrealised gains on revaluation of fixed assets	0	0	0	0
Unrealised losses on revaluation of fixed assets	0	0	0	0
Net cost / (surplus) of disposal of fixed assets	(2,987)	0	5,521	2,534
Amounts payable to Housing Capital Receipts Pool	0	0	(953)	(953)
Financing of fixed assets	0	872	(3,304)	(2,432)
<b>Balance 31 March 2006</b>	<b>305,960</b>	<b>84,318</b>	<b>6,449</b>	<b>396,727</b>

Housing Revenue Account amounts included in the above totals, where appropriate:

<b>Balance 1 April 2005</b>	<b>269,103</b>	<b>0</b>	<b>794</b>	<b>269,897</b>
Net Surplus / (Deficit) for year	(4,598)	0	0	(4,598)
Unrealised gains on revaluation of fixed assets	4,598	0	0	4,598
Unrealised losses on revaluation of fixed assets	(1,963)	0	0	(1,963)
Net cost / (surplus) of disposal of fixed assets	0	0	2,700	2,700
Amounts payable to Housing Capital Receipts Pool	0	0	(953)	(953)
Financing of fixed assets	0	0	(641)	(641)
<b>Balance 31 March 2006</b>	<b>267,140</b>	<b>0</b>	<b>1,900</b>	<b>269,040</b>

<b>2. REVENUE RESERVES</b>	<b>Earmarked Reserves * £'000</b>	<b>Collection Fund £'000</b>	<b>General Fund £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Total Revenue Reserves £'000</b>
<b>Balance 1 April 2005</b>	<b>13,984</b>	<b>(1,000)</b>	<b>1,000</b>	<b>1,202</b>	<b>15,186</b>
Net Surplus / (Deficit) for year	40	362	100	1,270	1,772
<b>Balance 31 March 2006</b>	<b>14,024</b>	<b>(638)</b>	<b>1,100</b>	<b>2,472</b>	<b>16,958</b>

Housing Revenue Account amounts included in the above totals, where appropriate:

<b>Balance 1 April 2005</b>	<b>7,677</b>	<b>0</b>	<b>0</b>	<b>1,202</b>	<b>8,879</b>
Net Surplus / (Deficit) for year	(278)	0	0	1,270	992
<b>Balance 31 March 2006</b>	<b>7,399</b>	<b>0</b>	<b>0</b>	<b>2,472</b>	<b>9,871</b>

\* Earmarked Reserves also includes the Major Repairs Reserve which, on the balance sheet, is a separate figure to the other Earmarked Reserves.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

<b>3. PENSION RESERVE</b>	<b>Pension Reserve £'000</b>
<b>Balance 1 April 2005</b>	<b>(20,876)</b>
Current Service Cost	(1,820)
Employer Contributions	1,371
Past Service Curtailment / Settlement Gain	1,207
Expected Return on Assets	3,461
Interest on Pension Liabilities	(3,930)
Actuarial Gain	647
<b>Balance 31 March 2006</b>	<b>(19,940)</b>

The actuarial gains identified as movements on the Pensions Reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	<b>£'000</b>	
Difference between the expected and actual return on assets	8,776	13.8% of Assets
Difference between actuarial assumptions about liabilities and actual experience	(1,708)	2% of Liabilities
Changes in the demographic and financial assumptions used to estimate liabilities	(6,421)	7.7% of Liabilities
<b>Actuarial Gain 2005/2006</b>	<b>647</b>	
Actuarial Loss 2004/2005	(11,753)	

<b>4. CONSOLIDATED BALANCE SHEET</b>	<b>Capital Reserves £'000</b>	<b>Revenue Reserves £'000</b>	<b>Pension Reserve £'000</b>	<b>Total Equity £'000</b>
<b>Balance 1 April 2005</b>	<b>397,578</b>	<b>15,186</b>	<b>(20,876)</b>	<b>391,888</b>
Net Surplus / (Deficit) for year	(851)	1,772	936	1,857
<b>Balance 31 March 2006</b>	<b>396,727</b>	<b>16,958</b>	<b>(19,940)</b>	<b>393,745</b>

# STATEMENT OF TOTAL MOVEMENTS IN EARMARKED RESERVES

	Balance 1 April 2005 £'000	Net Surplus / Deficit (-) for Year £'000	Balance 31 March 2006 £'000
<b><u>GENERAL FUND</u></b>			
<b>Capital Reserves</b>			
Car Parks Commuted Sums	231	5	236
Capital Investment	1,658	266	1,924
I.T. and New Equipment	285	(229)	56
G.F. External Contributions	476	98	574
RSL S106 External Contributions	771	(65)	706
WOLP External Contributions	199	(10)	189
<b>Specific Revenue Reserves</b>			
Grounds Maintenance Commuted Sums	698	27	725
Corporate Property	237	4	241
Insurance	340	0	340
Election Expenses	29	20	49
Art Fund	33	(3)	30
Energy Management	13	22	35
Best Value	105	2	107
Assembly Rooms Repairs and Renewals	0	8	8
Art Gallery Gift	57	(1)	56
Planning Appeals	286	131	417
Early Retirement	62	181	243
Collection Fund Reserve	109	(77)	32
Building Control	6	49	55
Earmarked Revenue Expenditure slipped from 2004/2005 to 2005/2006	712	(712)	0
Earmarked Revenue Expenditure slipped from 2005/2006 to 2006/2007	0	602	602
<b>TOTAL GENERAL FUND</b>	<b>6,307</b>	<b>318</b>	<b>6,625</b>
<b>HOUSING REVENUE ACCOUNT</b>			
<b>Housing Repairs Reserves</b>			
Housing Repairs Account	4,056	191	4,247
<b>Specific Revenue Reserves</b>			
Housing Early Retirement	37	7	44
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>4,093</b>	<b>198</b>	<b>4,291</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>10,400</b>	<b>516</b>	<b>10,916</b>
<b>MAJOR REPAIRS RESERVE</b>	<b>3,584</b>	<b>(476)</b>	<b>3,108</b>
<b>TOTAL</b>	<b>13,984</b>	<b>40</b>	<b>14,024</b>

# CASH FLOW STATEMENT

	Notes	Year Ended 31 March 2006		Year Ended 31 March 2005
		£'000	£'000	£'000
<b>REVENUE ACTIVITIES</b>				
<b>Cash Outflows</b>				
Cash paid to and on behalf of employees		0		14,308
Other operating cash payments		0		18,263
Housing Benefit paid out		0		8,739
Payments to the National Housing Rent Pool		0		4,436
Non-Domestic Rate payments to National Pool		0		46,032
Precepts Paid		0		54,095
Payments to the capital receipts pool		0	0	612
<b>Cash Inflows</b>				
Rents (after rebates)		0		(9,169)
Council Tax Receipts		0		(53,738)
Non-Domestic Rate receipts from National Pool		0		(3,487)
Non-Domestic Rate receipts		0		(47,421)
Revenue Support Grant		0		(4,243)
DWP grants for Housing Benefits		0		(23,031)
Other Government grants	1	0		(2,136)
Cash received for goods and services		0	0	(9,551)
<b>Net cash (inflow)/outflow from Revenue Activities</b>	2		0	(6,291)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
<b>Cash Outflows</b>				
Interest paid		0		1
Interest element of finance lease rental payments		0	0	106
<b>Cash Inflows</b>				
Interest received			0	(835)
			0	(7,019)
<b>CAPITAL ACTIVITIES</b>				
<b>Cash Outflows</b>				
Purchase of fixed assets		0		7,316
Purchase of long term investments	3 & 4	0		1,478
Other capital cash payments		0	0	1,608
<b>Cash Inflows</b>				
Sale of fixed assets		0		(9,186)
Disposal of investments	3 & 4	0		(522)
Other capital cash receipts		0	0	(2,995)
<b>NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING</b>			0	(9,320)

# CASH FLOW STATEMENT

	Notes	Year Ended		Year Ended
		31 March 2006	31 March 2005	31 March 2005
		£'000	£'000	£'000
<b>NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING</b>			0	(9,320)
<b>MANAGEMENT OF LIQUID RESOURCES</b>	3 & 4			
Net increase / (decrease) in short term deposits		0		0
Net increase / (decrease) in other liquid assets		0	0	7,721
		<u>0</u>	<u>0</u>	<u>(1,599)</u>
<b>FINANCING</b>	5			
<b>Cash Outflows</b>				
Repayments of amounts borrowed		0		0
Short term loans repaid	5	0		0
Capital element of finance lease rental payments		0	0	180
		<u>0</u>	<u>0</u>	
<b>Cash Inflows</b>				
New short term loans	5		0	0
<b>NET (INCREASE) / DECREASE IN CASH</b>			<u>0</u>	<u>(1,419)</u>

# NOTES TO THE CASH FLOW STATEMENT

## 1 GOVERNMENT GRANTS NOT IDENTIFIED ELSEWHERE

	2005/2006 £'000	2004/2005 £'000
House Renovation Grants	0	120
Housing Benefit Administration Grant	0	649
Contribution towards Non-Domestic Rate collection	0	220
SRB	0	341
Implementing e-government	0	169
Communities Against Drugs	0	107
Planning Delivery Grant	0	361
Safer Communities	0	108
Implementation of Homelessness Act 2002	0	26
Recycling	0	35
<b>Total Government Grants</b>	<u>0</u>	<u>2,136</u>

## 2 RECONCILIATION OF NET SURPLUS TO CASH FLOW FROM REVENUE

	2005/2006 £'000	2005/2006 £'000	2004/2005 £'000
General Fund Surplus		100	0
Housing Revenue Account Surplus		1,270	(82)
Collection Fund Surplus / (Deficit)		362	(329)
<b>Add non-cash transactions:</b>			
M.R.P	0		(40)
Direct financing of capital expenditure	0		697
Contributions to / (from) earmarked reserves	198	198	4,559
		<u>1,930</u>	<u>4,805</u>
<b>Add Accruals basis items:</b>			
Increase / (decrease) in provisions	(146)		36
Increase / (decrease) in revenue creditors	0		1,357
(Increase) / decrease in debtors	(1,942)		1,345
(Increase) / decrease in stocks and work in progress	(1)	(2,089)	0
		<u>(159)</u>	<u>7,543</u>
<b>Add Financing items shown in the Cash Flow Statement:</b>			
Interest Payable	0		29
Interest element of finance lease rental payments	0		53
Interest Receivable	0	0	(1,334)
		<u>(159)</u>	<u>6,291</u>

## NOTES TO THE CASH FLOW STATEMENT

### 3 LIQUID RESOURCES

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

Using the above definition the item shown in the Balance Sheet as "Short Term Investments" has been analysed to identify cash deposited at periods from Call to 7-day notice and to investments in Certificates of Deposits and Gilts managed by the Council's external investment brokers (INVESCO).

Note 4 provides the necessary reconciliation between the Cash Flow Statement and the Balance Sheet.

### 4 RECONCILIATION OF LIQUID RESOURCES TO OPENING AND CLOSING BALANCE SHEET ITEMS

	1/4/05 £'000	31/3/06 £'000	Change £'000	1/4/04 £'000	31/3/05 £'000	Change £'000
<b>Liquid Resources</b>						
Short Term Deposits	0	0	0	0	0	0
Other Liquid Assets	17,953	0	(17,953)	10,232	17,953	7,721
	<u>17,953</u>	<u>0</u>	<u>(17,953)</u>	<u>10,232</u>	<u>17,953</u>	<u>7,721</u>
<b>Non-Liquid Resources</b>						
Fixed Term deposits, etc.	2,000	0	(2,000)	522	2,000	1,478
	<u>19,953</u>	<u>0</u>	<u>(19,953)</u>	<u>10,754</u>	<u>19,953</u>	<u>9,199</u>

### 5 RECONCILIATION OF FINANCING ITEMS TO OPENING AND CLOSING BALANCE SHEET ITEMS

<b>Borrowing Repayable:</b>	1/4/05 £'000	31/3/06 £'000	Change £'000	1/4/04 £'000	31/3/05 £'000	Change £'000
On demand or within 12 months	0	0	0	0	0	0
Within a period of over 12 months	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Borrowing</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

From the Cash Flow Statement:

	2005/2006 £'000	2004/2005 £'000
Repayments of amounts borrowed	0	0
New Short Term Loans Raised	0	0
	<u>0</u>	<u>0</u>
<b>Net Change in Borrowing</b>	<u>0</u>	<u>0</u>

# COLLECTION FUND

	Notes	Actual 2005/2006		Actual
		£'000	£'000	2004/2005 £'000
<b>INCOME</b>				
Income from Council Tax (net of benefits and transitional relief)	2		(55,949)	(53,806)
Transfers from General Fund:				
- Council Tax Benefits	2		(5,906)	(5,632)
Contributions towards earlier years' Collection Fund Deficit:				
- Warwickshire County Council		(572)		(184)
- Warwickshire Police Authority		(79)		(25)
- Warwick District Council		(80)	(731)	(26)
Income Collectable from Business Ratepayers	3		(50,505)	(47,671)
<b>TOTAL INCOME</b>			<b>(113,091)</b>	<b>(107,344)</b>
<b>EXPENDITURE</b>				
Bad Debts and Appeals re Council Tax				
Write-offs	2	90		47
Provision for Bad Debts and Appeals re Council Tax	2	26	116	49
Precepts and Demands:				
- Warwickshire County Council		48,408		46,890
- Warwickshire Police Authority		6,756		6,435
- Warwick District Council		6,944	62,108	6,582
Business Rates:				
- Payment to National Pool		50,287		47,450
- Warwick District Council		218	50,505	220
<b>TOTAL EXPENDITURE</b>			<b>112,729</b>	<b>107,673</b>
<b>Net (Surplus) / Deficit for Year</b>			<b>(362)</b>	<b>329</b>
<b><u>BALANCES</u></b>				
Balance 1 April			(1,000)	(671)
Surplus / (Deficit) for Year			362	(329)
<b>Balance 31 March</b>			<b>(638)</b>	<b>(1,000)</b>



# NOTES TO THE COLLECTION FUND

## 1. General

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

## 2. Council Tax

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

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Dwellings
@	12.75	5 / 9	7.08
A	3,526.50	6 / 9	2,351.00
B	8,532.25	7 / 9	6,636.19
C	13,299.75	8 / 9	11,822.00
D	10,384.50	9 / 9	10,384.50
E	5,749.75	11 / 9	7,027.47
F	4,359.75	13 / 9	6,297.42
G	3,419.00	15 / 9	5,698.33
H	349.50	18 / 9	699.00
	<u>49,633.75</u>		<u>50,922.99</u>

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

59.67

### COUNCIL TAX BASE 2005/2006

50,982.66

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,218.22 the original estimated Council Tax income, including Council Tax Benefit, credited to the Collection Fund was £62.11m compared with the actual income credited to the Fund of £61.86m which is made up as follows:

	£'000
Council Tax (net of benefits, transitional relief, bad debts and write-offs)	55,949
Council Tax Benefits	5,906
<b>INCOME FROM COUNCIL TAX 2005/2006</b>	<u><u>61,855</u></u>

## 3. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate of 42.2p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total rateable value of properties in the Warwick District area was £145,574,418 at 31 March 2006.

# NOTES TO THE COLLECTION FUND

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

The following authorities made significant demand on the Collection Fund during 2005/2005:

Warwickshire County Council	£48,408,081.75
Warwick District Council	£6,943,947.81
Warwickshire Police Authority	£6,756,308.51

# THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Responsible Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Statement of Accounts Approved at Council Meeting 28 June 2006

Chair of the Council  
Councillor Bill Evans

## The Responsible Financial Officer's Responsibilities

The Responsible Financial Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the C.I.P.F.A./L.A.S.A.A.C. Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

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

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

The Responsible Financial Officer has also:

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

# STATEMENT OF INTERNAL CONTROL

## 1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, Warwick District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Warwick District Council's functions and which includes arrangements for the management of risk.

## 2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at Warwick District Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

## 3 THE INTERNAL CONTROL ENVIRONMENT

The key elements of the District Council's internal control environment are as follows:

### 3.1 Establishing and monitoring the achievement of the authority's objectives

The Council's key objectives are contained in its Corporate Strategy. There are 7 priorities and 3 targets for each of these priorities. The Corporate Strategy reflects national and local priorities and statutory duties. The key objectives are translated into operational objectives within service area plans at individual department level and used to inform the Council's budget. Progress in achieving targets is monitored through the performance management system, the results of which are reported to Executive and Overview and Scrutiny Committees on a quarterly basis.

### 3.2 The facilitation of policy and decision making

Policy development and decision making is set out within the Council's constitution. Contained within this are the rules governing its business including its committee structure, codes of conduct and scheme of delegation. The Executive meets regularly to consider the strategic direction, plans and progress of the authority. A range of member committees regularly review specific policy areas. There is a standard pro-forma for Committee reports to ensure all key issues are identified in a consistent way and that links to the Corporate Strategy is clear. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and Chief officers under their delegated powers.

### 3.3 Ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties

## STATEMENT OF INTERNAL CONTROL

Management's responsibility for ensuring compliance with established policies, procedures, laws and regulations is discharged in a number of ways. In 2002 the Council reviewed its processes against the CIPFA/SOLACE Corporate Governance checklist and actions to address gaps were put into the Corporate Improvement Plan. The Council has designated Head of Legal Services as the statutory Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Financial Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Reliance is also placed on the work of Internal Audit whose programme of work includes compliance checks. In addition, overview and scrutiny committees, the standards committee, external audit and external inspection agencies such as the Benefit Fraud Inspectorate and the Food standards Agency contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use is also made of other review agencies such as peer assessors from the West Midlands Local Government Association. In preparation for CPA, management has also carried out its own review.

As part of the Service Planning process the impact of new laws is addressed. For example extensive work has been undertaken to address the impact and actions required to comply with the Freedom of Information Act.

The District Council has robust systems for identifying and evaluating all significant risks, developed and maintained with the pro-active participation of all those associated with planning and delivering services. The Council approved a Risk Management Policy Statement and Strategy in January 2003. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. Leadership is provided by the Strategic Director (Finance) being appointed risk champion. A cross-departmental Risk Management Group has defined Terms of Reference to develop a comprehensive performance framework for risk management and to embed risk management across the authority. Corporate and departmental risk registers are in place and appropriate staff have been trained in the identification, assessment and monitoring of risks. There is regular review of service and corporate risks.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme.

### **3.4 Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty**

The Council's Code of Financial Practice governs the use of resources. Budget monitoring arrangements define and ensure accountability for resources. The Council's Code of Contract Practice helps to provide the economic, efficient and effective procurement of goods and services. A Best Value Performance Plan is produced each year detailing how continuous improvement is to be secured. In 2004/2005 the major Best Value Review was on Customer Access.

Best value and scrutiny reviews are carried out by management and members to ensure that resources are being deployed economically, efficiently and effectively. The Council has a joint office member change Board which reviews the work of the best value reviews, and provides an element of challenge. In addition, Internal Audit and external review agencies such as those previously referred to also carry out reviews in this area.

A further element of the Council's approach to continuous improvement is the Corporate Improvement Plan where all key improvements identified are input according to the European

## STATEMENT OF INTERNAL CONTROL

Quality Model Framework, which the Council uses as a tool to measure overall continuous improvement.

Service plans are now required to report comparative financial performance indicators and unit costs.

### **3.5 The financial management of the authority and the reporting of financial management.**

The financial management of the authority is conducted in accordance with the financial rules set out in the Constitution and with the Code of Financial Practice. The Council has designated the Strategic Director (Community Resources) as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a five-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.

Financial information is held on the Authority financial management system and is available to all officers with budgetary responsibility. In addition, officers receive financial reports every four weeks detailing income and expenditure against budgets that they are responsible for together with projections of income and expenditure. A summary of this information is reported to Executive and scrutiny committees on a quarterly basis. Financial management of the Authority includes an effective Internal Audit function, operating to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. An anti-fraud and corruption strategy and a whistleblowing policy and procedure is in place. The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter. The Council's external auditors undertake an assessment on the financial arrangements. Scores are awarded from 1- 4. In the last year this was undertaken, the Council was assessed as either 2 (at only minimum requirement, adequate performance) or 3 (consistently above minimum requirement – performing well) in the five categories as follows:

Financial reporting – 2

Financial management – 3

Financial standing – 3

Internal control – 2

Value for money - 3

### **3.6 The performance management of the authority and the reporting of performance management.**

The council's approach to performance management is set out in its Performance Management Framework. Performance management is based on the 'golden thread' method whereby strategic objectives and targets set down in the Corporate Plan are assigned to departments via service area plans, through to teams via team operational plans and finally to individual officers through the employee appraisal system.

Performance is monitored in a variety of ways at an operational level and through quarterly reports to the Corporate Management Team, Portfolio holders, Executive and scrutiny committees at a strategic level.

## **4 REVIEW OF EFFECTIVENESS**

**Warwick District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.**

## STATEMENT OF INTERNAL CONTROL

**A draft of this statement and the accompanying evidence has been presented to the Audit and Resources Overview and Scrutiny Committee for review and comment.**

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is as follows:

- The Head of Legal Services in his capacity as the Authority's Monitoring Officer, has a duty to ensure compliance with established policies, procedures, laws and regulations.
- The Council has Overview and Scrutiny Committees which can "call in" a decision which has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate.
- The Standards Committee is responsible for the oversight of the Constitution, including monitoring and its review.
- The Council has delegated to the Audit and Resources Overview and Scrutiny Committee responsibility for discharging the functions of an audit committee, including reviewing the adequacy of internal controls, monitoring the performance of internal audit and agreeing to the external audit plan.
- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan which is approved by the Audit and Resources Overview and Scrutiny Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service director and service manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The process includes quarterly reviews of recommendations to ensure that they are acted upon.
- The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.
- Each year, the Corporate Management Team and Executive reviews the Risk Management Policy Statement and Strategy to ensure their continued relevance to the Council. The annual review also assesses performance against the aims and objectives of the Risk Management Strategy.
- The Risk Management Group provides an annual report to the Corporate Management Team and to the Executive bringing their attention to significant risks. The Risk Management Group also:
  - reviews the Council's strategic risk register and associated action plans;
  - ensures that the appropriate management action is taken to minimise/eliminate risk; and
  - reviews the results of investigations into untoward incidents.
- The Corporate Management Team meets formally on a monthly basis and reviews progress on performance indicators and Best Value reviews on a quarterly basis.
- For performance management, an integrated performance management framework supports the strategic and business planning of the Council to ensure corporate and operational targets are achieved. This includes a comprehensive set of Corporate Strategy indicators and targets; Best Value Performance indicators and targets; and Service Area Dashboard indicators and targets for each service area, portfolio holder and overview and scrutiny committee. Indicators are owned by specified officers and overseen by particular Portfolio Holders and Overview and Scrutiny Committees. Full quarterly reports are produced which include performance against target, tracked performance relating to previous periods, comparison with other authorities where possible, and corrective actions for any under-performing services.
- The Council reviewed and revised the Code of Financial Practice during 04/05.
- In the Comprehensive Performance Assessment by the Audit Commission, performance management was assessed as a strong area. The CPA report stated that "performance

## STATEMENT OF INTERNAL CONTROL

management is embedded into the culture of the Council and good systems are in place to proactively manage performance with both councillors and management taking a strong lead." The report also stated that "the Council has strong financial management and a good approach to risk management." Overall, the Council was placed in the "Excellent" corporate assessment category.

- The new arrangements for Policy and Scrutiny Committees became operational during the last year

Specifically, the review for the 2005/06 statement was informed by:

- The most recent Management Letter from the external auditors and the Auditors Scored Judgements.
- Drafts of unfinalised external audit reviews
- Reports of other review agencies and inspectorates.
- Reviews carried out by the Overview and Scrutiny Committees.
- The annual report of the Risk Management Group
- The views of the Chief Financial Officer, Directors and Service Area Managers and the Corporate Management Team.

### 5 SIGNIFICANT INTERNAL CONTROL ISSUES

The following have been identified from work done on the statement above and in collecting the evidence required. All actions are planned to take place during 2006/07.

No.	Issue	Action to be undertaken in 2006/07	Responsibility
1.	Corporate Procurement	Recruit to new post and implement agreed action plan	HoF/ SD (CR)
2.	Business/Service Continuity	Using agreed IT recovery plan to agree outline plans for services	HoF/ SD (CR)
3.	Core Processes	Improve quality of working papers in line with external audit requirements	HoF/ SD (CR)
4.	Core Processes	Set up structured processes for reconciliations in new financial system	HoF/ SD (CR)
5.	Internal Audit	Work with External Audit to achieve new standards	HoF/ SD (CR)
6.	Employee Code of Conduct	Arrange for systematic review of gifts and hospitality registers	HoF/ SD (CR)
7.	Employee Code of Conduct	Update code of conduct and arrangements for employee declarations of interest	ACE (P)

Key: **SD(CR)** – Strategic Director (Community Resources); **HoF** – Head of Finance; **ACE (P)** – Assistant Chief Executive (Personnel)



## STATEMENT OF INTERNAL CONTROL

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit and Resources Overview and Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:

\_\_\_\_\_  
Janie Barrett  
Chief Executive

\_\_\_\_\_  
Bob Crowther  
Leader of the Council

Dated:

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## **RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE**

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents fairly the financial position of Warwick District Council at 31st March 2006 and its income and expenditure in the year ended 31<sup>st</sup> March 2006.

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and Financial Officer  
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Royal Leamington Spa  
Warwickshire  
CV32 5RL

# AUDITORS' REPORT TO WARWICK DISTRICT COUNCIL

To follow after audit