

## **Finance & Audit Scrutiny Committee**

### **Wednesday 30 September 2020**

A meeting of the above Committee will be held remotely on Wednesday 30 September 2020, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor Nicholls (Chair)

Councillor L Bartlett

Councillor J Dearing

Councillor R Dickson

Councillor J Grey

Councillor T Heath

Councillor G Illingworth

Councillor M Luckhurst

Councillor S Syson

Councillor J Tracey

Councillor T Wright

### **Agenda**

#### **Part A – General**

#### **1. Apologies & Substitutes**

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

#### **2. Declarations of Interest**

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

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

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

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

#### **3. Minutes**

To confirm the minutes of the meeting held on 19 August 2020

**(Pages 1 to 6)**

## **Part B – Audit Items**

4. **Annual Governance Statement 2019/20 Action Plan: Review of Progress**

To consider a report from Finance (Pages 1 to 6)

5. **Internal Audit Quarter 1 2020/21 Progress Report**

To consider a report from Finance (Pages 1 to 20)

6. **Revised Internal Audit Plan 2020/21**

To consider a report from Finance (Pages 1 to 6)

7. **Anti-Fraud and Corruption Statement 2020/21**

To consider a report from Finance (Pages 1 to 12)

8. **Corporate Fraud Investigation Performance Report 2019/20**

To consider a report from Finance (Pages 1 to 12)

9. **Statement of Accounts and Audit Findings Report**

To consider a report from Finance (To follow)

## **Part C – Scrutiny Items**

10. **Review of the Work Programme and Forward Plan & Comments from the Executive**

To consider a report from Civic & Committee Services (Pages 1 to 6)

11. **Executive Agenda (Non-Confidential Items and Reports) – Thursday 1 October 2020**

To consider the non-confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

**(Circulated Separately)**

12. **Public & Press**

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

13. **Executive Agenda (Confidential Items and Reports) – Thursday 1 October 2020**

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

**(Circulated separately)**

General Enquiries: Please contact Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ.  
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For enquiries about specific reports, please contact the officers named in the reports.

You can e-mail the members of the Committee at  
[planningcommittee@warwickdc.gov.uk](mailto:planningcommittee@warwickdc.gov.uk)

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456114

# Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 19 August 2020 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

**Present:** Councillor Nicholls (Chair); Councillors: Bartlett, J Dearing, R Dickson, Grey, Heath, Illingworth, Jacques, Luckhurst, Syson and Wright.

**Also present:** Councillor Hales (Portfolio Holder for Business & Finance); Councillor Grainger (Portfolio Holder for Culture & Neighbourhood) and Councillor Day (Leader of the Council).

## 12. **Apologies and Substitutes**

- (a) there were no apologies for absence; and
- (b) Councillor Jacques substituted for Councillor Tracey.

## 13. **Declarations of Interest**

There were no declarations of interest made.

## 14. **Minutes**

The minutes of the meeting held on 27 May 2020 and of the Joint Meeting of the Finance and Audit Scrutiny Committee and the Overview and Scrutiny Committee held on 29 July 2020 were taken as read and signed by the Chair as a correct record.

## 15. **Audit Progress Report**

The Committee received a report from Finance bringing forward a report from the Council's external auditors.

The audited Statement of Accounts were due to be signed off by the Finance & Audit Scrutiny Committee on 19 August. With the current working arrangements, there had been some delays to the completion of the audit. This was discussed more fully within the Audit Progress Report from the External Auditors attached as Appendix 1 to the report.

Members were reminded that under the latest Accounts and Audit Regulations, the normal deadline for the Council's audited Statements of Accounts to be signed off was 31 July. Members had been updated previously on how the regulations had changed for this year, with the deadline now being 30 November. However, it was still the intention of the Council and the auditors to keep to the original deadline as far as possible, as previously reported. Recently, it had been intended to be reporting the audited Statement of Accounts and the Auditor's Audit Findings Report to this Committee on 19 August.

Recent discussions with the external auditors had confirmed that it would not be possible. The reasons for this delay largely related to problems with

the current virtual and home working arrangements. Some elements of the audit were still best considered in a face to face, office environment.

The external auditors had submitted the Audit Progress Report. This detailed some of the elements of the audit that still remained to be completed. It also provided some details about some of the problems encountered with the current audit.

Whilst the audit was not complete, the auditors had not raised any significant concerns with the draft accounts. Also, they were not expecting to encounter any problems as they completed their work.

Overall, the auditors estimated that the audit would take an additional 10 days to complete. All parties were very keen for the work to be completed as soon as possible, certainly before the end of August. The Audit Findings Report was expected to be issued in early September. This would then be reported to the Committee at the end of September.

With this delay to the audit, the Council was still in a very strong position compared to many local authorities. In some cases, the 2018/19 Accounts remained unsigned. Some authorities were expecting their audit to progress towards the 30 November deadline.

Mary Wren and Grant Patterson both attended the meeting to represent Grant Thornton and outlined the planned Audit and what work had been completed.

In answer to questions from Members, Mr Patterson and Ms Wren, **representing Grant Thornton, the Council's external auditor, advised that:**

- In line with the Royal Institute of Chartered Surveyors (RICS) guidance, most valuers had issued material uncertainty disclosures within their valuation reports and the Council made reference to this within its financial statement. Mr Thornton emphasised that it was essential to **make full disclosures of these in the Council's financial statement.**
- Whilst the financial statement would present the valuation as at the end of March 2020. However, the external auditors were reviewing if any further information became available since then that might impact on the valuation of those property assets. It was also important to note that there were different methods of valuations, such as building or market valuations. The market valuations presented a greater difficulty because there had not been a lot of market activity.

In the interest of openness, Mr Patterson advised Members that there was an issue worth mentioning to do with the pension fund, of which Mr Patterson was the auditor. MHCLG had published the remedy to McCloud, and there was work being done at a national level currently to see what the impact of that might be.

Councillor Illingworth was comfortable with the report presented to Members and the progress made, and expressed his thanks to both the **Council's external auditors and officers for the way they worked together** remotely during peculiar circumstances.

It was proposed by Councillor Grey, seconded by Councillor Wright and

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

16. **Treasury Management Activity Report for the period 1 October 2019 to 31 March 2020**

The Committee received a report from Finance that detailed **the Council's** Treasury Management performance for the period 1 October 2019 to 31 March 2020.

**The Council's 2019/20 Treasury Management Strategy and Treasury Management Practices (TMP's)** required the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

**The "Risks" section in the report highlighted the sudden impact of an event** such as Covid-19 and the importance to protect investments whilst still trying to get the best possible returns on those investments. The performance during 2019/20 was better than expected in the budgets and it also compared well against the benchmark, with the exception of the **equity funds which were well under the Council's budget.**

In response to further questions at the meeting the Principal Accountant explained that:

- **when referring to "borrowing for housing", it was meant the Council's** borrowing for the purpose of new housing developments, be it buying of land or building; and
- there was no risk on a large housing loan the Council had previously taken out as it had been taken prior to 1 April 2020.

Councillor Wright emphasised that any decision to divest which would cost the Council a significant amount of money would need to be carefully considered, especially during the current circumstances. He reminded Members that the Council was accountable to the public in explaining any decisions which would bring a financial loss.

Councillors Syson and Nicholls congratulated the Principal Accountant and the Accountancy team for managing to a very performance under difficult circumstances.

17. **2019/20 Annual Treasury Management Report**

The Committee considered a report from Finance that presented the **Council's a** Treasury Management activities during 2019/20.

The Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. The report met the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). The report covered the **Council's performance for the whole of 2019/20**, which was attached as Appendix A to the report.

The Treasury Management Strategy for 2019/20 and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, required that the Treasury Management function reported on

its activities during the year by no later than 30 September in the year after that being reported on. This date remained in place despite COVID-19.

During 2019/20, the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year (approved by the Chairman and Group Leaders on 25 March and confirmed by Council on 20 May 2020);
- a mid-year (minimum) treasury update report (Finance & Audit Scrutiny Committee 12 November 2019); and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, the Council received a half-yearly treasury management update report for the second half of 2019/20 and which was elsewhere on the agenda.

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

The Council had complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance & Audit Scrutiny Committee before they were reported to the full Council.

Member training on treasury management issues was undertaken during the year on 26 November 2019 in order to support **Members' scrutiny role**.

**Consideration of the Council's Treasury Management activities** was within the remit of the Finance & Audit Scrutiny Committee on behalf of full Council; consequently, it was **appropriate to report the Council's annual** performance directly to this Committee.

The report followed the format used in the Treasury Management Strategy Plan presented to the Chairman and Group Leaders on 25 March (and confirmed by Council on 20 May 2020), and commented, where **appropriate, on the Council's actual performance against what was forecast** in the Strategy Plan as well as, in certain instances, latest forecasts. The Council was also required to comment on its performance against its Annual Investment Strategy for the year.

The Council had announced that it was to seek to divest from fossil fuels at the earliest opportunity; no later than the end of 2025, and ideally by the end of 2022. However, given the very significant losses incurred by the two equity funds since the COVID-19 outbreak, it could be very costly to divest by the earlier date as any losses would be charged to the General Fund revenue account in that financial year.

The Council might consider varying its investment vehicles or counterparty limits, however, this would alter the potential credit and liquidity risks.

In response to further questions at the meeting the Principal Accountant, the Head of Finance and the Portfolio Holder for Finance explained that fossil fuels investments and the financial impact of divesting from them would be a matter for the Council to determine. The Accountancy team would keep monitoring this on a six-monthly basis and present any further issues to the Committee. The real issue was that any revenue loss would be charged to revenue, which was a concern given the current budget deficit. This would be an area for the new Programme Advisory Board for Finance to consider.

18. **Review of Work Programme and Forward Plan & Comments from the Executive**

The Committee considered a report from Democratic Services that informed the Committee of its work programme for 2020/2021 Municipal Year (Appendix 1) and of the current Forward Plan.

The work programme as attached at Appendix 1 to the report should be updated at each meeting to accurately reflect the workload of the Committee.

Two of the five main roles of overview and scrutiny in local government were to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.

If the Committee had an interest in a future decision to be made by the Executive, or policy to be implemented, it was **within the Committee's remit** to feed into the process.

The Forward Plan was actually the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which was to be taken by the Executive which they would like to be involved in, that Member(s) could then provide useful background to the Committee when the report was submitted to the Executive and they were passing comment on it.

**Resolved** that the report be noted.

19. **Executive Agenda (Non-Confidential Items and Reports) – Monday 24 August 2020**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Monday 24 August 2020.

Item 9 - WDC Post Covid Recovery Strategy – Back to the Future

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Item 8 - Quarter 1 Budget Report

Members noted that whilst the report was a snapshot in time and still work in progress, there had **been a significant impact on the Council's budget**, showing a considerable deficit which needed to be addressed. The underlying deficit issue prior to Covid 19 had been exacerbated by the loss of income due to Covid 19. The Committee acknowledged that the Council had a legal requirement to set a balanced budget, which had to take



priority. With that in mind, Members felt that there were difficult decisions **and choices to be made, for example how to fulfil the Council's Climate** Emergency Action Plan in the changed financial situation it now faced.

The Committee wished to comment to the Executive about the desirability of including a wider group of Members when it came to reviewing what the Council would do in terms of the proposed savings or alternatives and the impact they might have. The Committee agreed with the Portfolio Holder for Finance and Business that there were some choices to be made by the Council in order for it to be able to set a balanced budget in February 2021. As a result, Members suggested arranging a different meeting involving a larger number of, or all, Councillors, where they could consider the savings options and the income generating options, so that the right choices were made for residents, based on cross-party support and collaboration.

(The meeting ended at 7.22pm)

CHAIR

30 September 2020

Finance and Audit Scrutiny Committee  
30 September 2020

**Title: Annual Governance Statement 2019/20 Action Plan: Review of Progress**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillors Day and Hales**

**Public report / Confidential report: No**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	7 Sept 2020	Chris Elliott/Andrew Jones
Head of Service	7 Sept 2020	Mike Snow
CMT	7 Sept 2020	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	7 Sept 2020	Mike Snow
Monitoring Officer	7 Sept 2020	Andrew Jones
Finance	7 Sept 2020	Mike Snow
Portfolio Holder(s)	15 Sept 2020	Councillor Hales

1 **Summary**

- 1.1 The purpose of this report is for Committee to review the progress that is being made in addressing the '**Significant Governance Issues**' facing the Council set out in its Annual Governance Statement 2019/20. The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.

2 **Recommendations**

- 2.1 That Committee should review the Action Plan set out in the Appendix and confirm whether it is satisfied with the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2019/20.

3 **Reasons for the Recommendations**

- 3.1 To help fulfil Members' responsibility for effective corporate governance within the Council.
- 3.2 To provide assurance to Members that the governance issues identified as part of the compilation of the Annual Governance Statement are being addressed.

4 **Policy Framework**

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

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.
- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.2 **FFF Strands**

4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

**Services - Green, Clean, Safe**

**Money- Infrastructure, Enterprise, Employment**

Although there are no direct policy implications, the Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff**

**Services - Maintain or Improve Services**

**Money - Firm Financial Footing over the Longer Term**

Although there are no direct policy implications, the Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

4.3 **Supporting Strategies**

- 4.3.1 Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.4 **Changes to Existing Policies**

- 4.4.1 This section is not applicable.

4.5 **Impact Assessments**

- 4.5.1 This section is not applicable.

5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, an effective Budgetary Framework is a key element of corporate governance. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **Risks**

- 6.1 Risk management is an intrinsic element of corporate governance. There are various risks associated with the Significant Governance Issues and with the items not being addressed satisfactorily.

7 **Alternative Options Considered**

- 7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

8 **Corporate Governance in Local Authorities**

- 8.1 CIPFA/SOLACE emphasise that corporate governance is everyone's business and define it as:

*"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local*

*government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”* CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

- 8.2 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:
- a clear **definition of the body’s purpose and focusing on the outcomes** for the community and creating and implementing a vision for the local area;
  - members and officers are working together to achieve a common purpose with clearly defined functions and roles;
  - promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
  - taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
  - developing the capacity and capability of members and officers to be effective;
  - engaging with local people and other stakeholders to ensure robust public accountability.

Both the Annual Governance Statement **and the Council’s** Code of Corporate Governance reflect these six themes.

## 9 **Annual Governance Statement**

- 9.1 The production of an Annual Governance Statement is a statutory requirement for local authorities (Regulation 6 of The Accounts and Audit (England) Regulations 2015).
- 9.2 The CIPFA Financial Advisory Network has published an advisory document **entitled “The Annual Governance Statement: Rough Guide for Practitioners”**. Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.
- 9.3 The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they will rely on many sources of assurance, such as that from:
- Members of the Council
  - Deputy Chief Executives and Service Area Managers
  - the Responsible Financial Officer

- the Monitoring Officer
- the Audit and Risk Manager
- performance and risk management systems
- third parties, e.g. partnerships
- external audit and other review agencies.

10 **The Significant Governance Issues**

- 10.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement and are summarised in the Action Plan element of the Annual Governance Statement for 2019/20.
- 10.2 The appendix accompanying this report sets out the progress in addressing those issues. Progress is reported by the officers leading on them and has been endorsed by the Senior Management Team at a recent meeting.

## Annual Governance Statement 2019/20: Action Plan for Governance Issues

### Review of Progress to Sept 2020

AGS Ref.	Governance Issue	Responsible Officer	Progress Implementing Governance Issue: Position as at Sept 2020
6.3	The compilation of learning points <b>from the Council's response to the</b> Coronavirus pandemic.	Chief Executive	Deputy Chief Executive (BH) and the Democratic Services Manager & Deputy Monitoring Officer will <b>be leading a review of the Council's response.</b> The scope of the review has been determined and work will commence shortly.
6.4	Review of the General Fund Balance to determine whether it is adequate.	Head of Finance	Consideration of the adequacy of the General <b>Fund Balance and all of the Council's reserves will</b> be included within the 2021/22 Budget report to be reported to members in February 2021.

Finance and Audit Scrutiny Committee  
30 September 2020

**Title: Internal Audit Quarter 1 2020/21 Progress Report**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillor Hales**

**Public report / Confidential report: No**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	7 Sept 2020	Chris Elliott/Andrew Jones
Head of Service	7 Sept 2020	Mike Snow
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Section 151 Officer	7 Sept 2020	Mike Snow
Monitoring Officer	7 Sept 2020	Andrew Jones
Finance	7 Sept 2020	Mike Snow
Portfolio Holder(s)	15 Sept 2020	Councillor Hales



1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2020/21, summarises the audit work completed in the first quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
- 2.1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 3.2 of this report)
- 2.1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 8.1 of this report)
- 2.1.3 That Appendix 3, setting out the action plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 10.3)
- 2.1.4 That Appendix 4, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.2)

3 **Reasons for the Recommendations**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.
- 3.2 Finance and Audit Scrutiny Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a **number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.**
- 3.3 Essentially, the purpose of an audit committee is:
- To provide independent assurance of the associated control environment.
  - To provide independent **scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.**
- 3.4 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 3.5 The following sections provide information to satisfy these requirements.

## 4 **Policy Framework**

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

4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

### 4.2 **FFF Strands**

#### 4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

**Services - Green, Clean, Safe**

**Money- Infrastructure, Enterprise, Employment**

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

#### 4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff**

**Services - Maintain or Improve Services**

**Money - Firm Financial Footing over the Longer Term**

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

### 4.3 **Supporting Strategies**

4.3.1 Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

### 4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

### 4.5 **Impact Assessments**

4.5.1 This section is not applicable.

## 5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **Risks**

- 6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 6.2 It is impractical to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

## 7 **Alternative Options Considered**

- 7.1 This section is not applicable.

## 8 **Progress against Plan**

- 8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2019/20 is set out as Appendix 2.

## 9 **Assurance**

- 9.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.
- 9.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

### **Assurance Levels**

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.

Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.
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These definitions have been developed following extensive investigation of other **organisations'** practices (including commercial operations).

## 10 **Internal Audit Assignments Completed During Quarter**

- 10.1 Just one audit was completed in the first quarter of 2020/21. This lack of progress is due to the Coronavirus Pandemic necessitating in Internal Audit staff being assigned to other tasks, in particular processing and checking business grant applications and payments, as well as helping out at the Shielding Hub. The impact of this on the Audit Plan is explained in a separate report on the agenda.
- 10.2 A copy of the audit report issued during the quarter is available for viewing on the online agenda for the meeting.
- 10.3 The action plan accompanying this report is set out as Appendix 3. This details the recommendations arising together with the management responses, including target implementation dates.

## 11 **Implementation of Recommendations Issued Previously**

- 11.1 Managers are required to implement recommendations within the following timescales:
  - (a) Recommendations involving controls assessed as high risk to be implemented within three months.
  - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 11.2 The state of implementation of **low and medium risk** recommendations made in the **second quarter of 2019/20** is set out in Appendix 4 to this report. There were no **high risk** recommendations issued in the **fourth quarter of 2019/20** so none is included in this appendix.
- 11.3 As can be seen in the Appendix, in terms of determining the state of implementation of recommendations issued in these quarters, responses are outstanding from several managers.

## 12 **Review**

- 12.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.

## **Guidance on the Role and Responsibilities of Audit Committees**

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### ***Public Sector Internal Audit Standards 2013***

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#### Independence and Objectivity

The chief audit executive must...establish effective communication with, and have free and unfettered access to...the chair of the audit committee.

#### Glossary

Definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

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### ***Audit Committees: Practical guidance for Local Authorities (CIPFA)***

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#### Core Functions

Audit committees will:

... Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

#### Suggested Audit Committee Terms of Reference

Audit Activity:

- To consider the Head of Internal Audit's report and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports as requested.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

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## ***Called to Account: The Role of Audit Committees in Local Government (Audit Commission)***

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### Monitoring Audit Performance

#### ***Auditor/officer collaboration***

Slow delivery and implementation of recommendations reduces the audit's impact and can allow fraud to flourish or service delivery to deteriorate. Audit committees can play a key role in ensuring that auditors and officers **collaborate effectively**. This can enable auditors' reports to be dovetailed into the relevant service committee cycles and ensure that officers respond promptly to completed audit reports.

#### ***Management response***

An audit committee can ensure that officers consider these recommendations promptly, and act on them where auditors have raised valid concerns.

#### ***Implementation***

Agreed recommendations arising from audit work need to be implemented. Councils should have a forum for considering the contribution of internal and external audit and for ensuring that audit is, in practice, adding value to corporate governance.

Audit committees can be a powerful vehicle for securing implementation of audit recommendations and thereby improve the operation and delivery of Council activities.

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## ***CIPFA Technical Information Service Online***

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### Audit Reporting

#### ***Introduction***

Internal auditors should produce **periodic summary reports of internal audit's** opinion and major findings.

**The...**report could also be issued to senior management of the organisation but should primarily be issued to the audit committee to report upon the **soundness or otherwise of the organisation's internal control system**. This report will form the conclusion of the work undertaken by internal audit during the period of the report. A summary of the scope of this internal work should also be included in the report.

### ***Periodic Internal Audit Reports***

Audit committees should not normally be provided with the full text of internal audit reports. Audit reports are mainly concerned with operational details while audit committees and members or non-executive directors **should be concentrating on ensuring that the organisation's system of internal control is effective and that the strategic or corporate objectives are being achieved efficiently.** Members or non-**executive directors' interest in internal audit** should normally be restricted to gaining an assurance that the **organisation's systems of internal control are adequate and that where audit does not consider this to be the case that action is taken to ensure that any short comings are rectified promptly.**

Audit committee members should not usually get involved in discussing individual internal audit findings or recommendations but should concentrate their attentions on the opinions internal audit express on the activities and systems they have reviewed. These opinions should be summarised and **should provide a clear opinion on the overall quality of the organisation's internal control system and the general level of performance across the organisation.** Members or non-executive directors should not be over concerned with adverse internal audit conclusions if reasonable recommendations suggested by internal audit have been accepted and that these have been promptly implemented.

If, however, major internal control weaknesses are discovered these should be reported to the audit committee as this may indicate general weaknesses in the management of the section or the department concerned. Audit findings that appear to show a common thread of similar weaknesses throughout the organisation should also be reported to the audit committee.

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### ***9 Traits of an effective Audit Committee: Institute of Chartered Accountants in England & Wales – Technical Guidance***

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Having an effective Audit Committee is essential for good corporate governance as it leads on financial reporting, internal controls, risk management and external audit functions.

A group of Audit Committee Chairmen and Members, from FTSE 100 and FTSE250 businesses, identified these attributes during a roundtable event held at ICAEW in June 2018, as being qualities indicative of an effective committee:

1. Intellectual curiosity and professional scepticism
2. Courageous in making tough decisions
3. Balanced, ethical approach to whistleblowing

4. Oversight of key risks (not just financial)
5. Excellent relationship builders
6. Ability to build and develop a strong team
7. Able to challenge the external auditors
8. Good listening skills
9. Own the agenda

### **Intellectual curiosity and professional scepticism**

Intellectual curiosity and professional scepticism are necessary attributes in an **Audit Committee member**. It's not enough to request confirmation from the external auditors and the executive team as this can provide a false sense of comfort. Members of the modern Audit Committee must understand the business and ask the right questions. Audit Committee members must take the time to visit the different parts of the business, particularly an international business, to scrutinise it and get a good understanding of its workings. They must also remember that they are non-executives and have a responsibility to remain objective.

Audit Committee Chairs and members may have more than one directorship and must be mindful of their time commitment to avoid becoming overwhelmed by any one role.

### **Courageous in making tough decisions**

The toughest decisions generally concern people rather than numbers. Audit Committee Chairs have to have the strength and courage to tackle any under-performance in the finance team. In some cases, they will need to replace the existing team to ensure that they have a strong team in place to support them.

Other tough decisions are to:

- appoint new external auditors. If the new auditors take a harder line with the Board then there is the potential for a backlash to be directed at the Chair of the Audit Committee. The appointment of the auditor is a key responsibility of the Audit Committee.
- re-organise the internal audit function. When an organisation does not have the right skill-sets internally to perform the internal audit function, outsourcing and co-sourcing are the most popular solutions. Proponents of co-sourcing argue that it provides access to the expertise required whilst maintaining independence.

### **Balanced, ethical approach to whistleblowing**

The Audit Committee is responsible for ensuring that the whistleblowing process is balanced, ethical and effective. The culture of an organisation is clearly visible when a whistleblower comes forward particularly at Board level if the reported incident involves a director.



Culture is an intangible yet important aspect of all organisations. It is the responsibility of the Board but is often discussed by the Audit Committee. The Chairman of the Audit Committee needs to create a forum where people can discuss all issues openly. Recent high-profile company collapses highlight the issue of management override and company culture. The Audit Committee Chairman must take a balanced and ethical perspective, scrutinise and challenge any decisions to move away from the market standards in accounting and reporting.

A culture where people can admit mistakes and learn from them was **identified as the ideal. 'Near misses' offer good opportunities to learn** and improve without blaming individuals. The Audit Committee needs to ensure that its working culture is one where corporate governance requirements were valued rather than seen as a compliance issue.

### **Oversight of key risks (not just financial)**

Large scale IT projects and cybersecurity are often seen as two of the biggest risks facing a company. Solutions to these issues ranged from having a specialist presence on the Board to having a broader expertise on the Audit Committee. The use of advisors to consult on the risks is also an effective solution.

The financial services sector is subject to regulation which requires separate audit and risk committees, which emphasises the need for effective teamwork and communication between committees. When the committees are separated, greater care is necessary to ensure that some issues do not slip through the cracks. Other sectors are not required to separate the audit and risk committees but make the decision based on what is needed in the business.

### **Excellent relationship builder**

Inviting the Chairman, Chief Executive Officer and the Chief Financial Officer to attend the Audit Committee meetings alongside external and internal audit helps to create an open and transparent culture. It is also important to build strong working relationships with these key stakeholders. The challenge of having the Chairman attend Audit Committee meetings is that there is the possibility that they may take the lead in the meeting.

### **Build and develop a strong team**

The Nominations Committee is responsible for the membership of the Audit Committee. A Board of non-executive directors is selected and then split into committees. While this produces the correct numbers for committee membership, it does not necessarily allocate the correct skill-set. It is necessary to build and develop a strong team from this starting point.

Working relationships on the Audit Committee are important and difficult personalities need to be addressed in the feedback and performance evaluations. Facilitation skills are key and the Chair of the Audit Committee will use the evaluation process to develop the committee members.

### **Able to challenge the external auditors**

Business structures and the industries in which they operate are becoming increasingly complex. Auditors are called upon to give their judgement on a number of issues and there is a sense that the broad range of experience and understanding of complex business issues is often only found in the larger firms.

Auditors can be reluctant to give a qualitative opinion and more junior **auditors don't always fully understand the business. Members of the Audit Committee** need to challenge the external auditors to be assured that they understand the complexities and culture of the business and that their judgement is sound.

### **Good listening skills**

Audit Committees often receive large volumes of papers but need to listen to the messages delivered at Audit Committee meetings. Internal audit is widely considered to be a key element in an effective Audit Committee, often acting as their eyes and ears within the business. The Audit Committee Chairman needs to build a good working relationship with the Head of Internal Audit whilst remaining objective and independent. The head of internal audit should sit at the executive committee level, so that they have the status and opportunity to challenge the executive.

### **Own the agenda**

These traits are specifically for the Chairman of the Audit Committee as they will need to plan ahead to ensure that the Committee has time to cover all of the issues on the annual agenda. In particular, the Audit Committee Chair will:

- Work with the company secretary to arrange the annual calendar of meetings and agendas well in advance, leaving time for new issues as they arise.
- Take control of each agenda – set out the essential issues to be discussed and manage any additional agenda items as they arise.
- Ensure a standard approach to papers, for example, requesting a one-page executive summary and clarity on whether a paper was for ratification or noting.
- Ensure you leave enough time to discuss the outcome with the Chairman of the Board before the Board meeting.
- Good time management – ensure that there is adequate time allocated to each topic and if more time is required to consider re-issued, revised versions of papers, postponing the meeting if necessary.

Each of these actions will allow the Audit Committee to operate effectively.

**Internal Audit Progress 2020/21: Quarter 1****Analysis of Performance****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	337.0	.0	57.9	+
<u>Other Time</u>				
Sundry audit advice	30.0	7.5	13.5	-6.0
Special investigations (e.g. Fraud/Irregularities)	20.0	5.0	31.5	-26.5
Corporate and departmental Initiatives	25.0	6.3	2.0	+4.3
Non-chargeable activities	232.0	34.5	70.3	-5.9
Leave and other absences	118.0	34.0	37.5	-3.5
<i>Total Other Time</i>	443.0	81.0	136.1	-55.1
<i>Total Time</i>	780.0	195.0	194.7	+0.3

**Time spent: Assignments Completed – Planned Vs Actual**

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Local Elections (Follow-up Review)	5.0	4.2	+0.8

**Explanation for variances greater than 2 days (unless within 20%):** None this quarter.

**Completion of Audit Plan: Target Vs Actual**

NO. OF AUDITS PER AUDIT PLAN	PROFILED TARGET COMPLETION		ACTUAL NO. COMPLETED TO DATE		VARIATION	
	NO.	%	NO.	%	NO.	%
39	4	10.0	1	2.5	-3	-75.0

**Summary of Recommendations and Management Responses from Internal Audit Reports  
issued Quarter 1, 2020/21**

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date (TID)
<b>Local Elections (Follow-up Review) – 26 May 2020</b>				
4.2.4	Consideration should be given to the raising of amended invoices where errors have been identified in the cost calculations.	Low	Electoral Services Manager	The costs incurred will be reviewed with invoices subsequently being issued for these costs with an explanatory note that these were identified in the Audit of the accounts. TID: End of July 2020
4.2.4	A review should be undertaken on the method of cost calculation in relation to poll cards.	Low		

<sup>1</sup> Risk Ratings are defined as follows:

- High: Issue of significant importance requiring urgent attention.  
Medium: Issue of moderate importance requiring prompt attention.  
Low: Issue of minor importance requiring attention.

**Current Implementation Position for Low and Medium Risk Recommendations**  
**issued in Quarter 2 2019/20**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Housing Repairs and Maintenance – 23 September 2019</b>		
A review of the 'capture' of rechargeable works should be considered to ensure that all such works are identified at source.	<p><i>Asset Manager / Compliance Manager:</i>  Review with Repairs Team Leader and Housing on what objectively constitutes a rechargeable repair and subjective considerations.  Provide group training to the Repairs &amp; Maintenance team.  PID: 31 Oct 2019</p>	<p>A review of the Rechargeable Repairs process as a whole was started in conjunction with Housing in September, with Paul Smith, (Housing) leading on the group. This was put on-hold in March 2020. I have agreed with Paul that we now need to resume this.</p> <p>At this time the Repairs and Maintenance (R&amp;M) team mark works for recharge based on established knowledge provided by the R&amp;M Team Leader who, with the Contract Supervisor will confirm these where necessary.</p>
A clear policy on recovery of unpaid recharges to tenants should be considered including delegation of responsibilities.	<p><i>Sustaining Tenancies Manager:</i>  Agreed. A recharge policy will be established and will include delegation of responsibilities.  PID: 31 May 2019</p>	<b>RESPONSE OUTSTANDING</b>
The accumulated balances of unpaid recharges should be reviewed and appropriate recovery actions taken.	<p><i>Sustaining Tenancies Manager:</i>  Agreed. A process for managing and monitoring recharges will be produced.  PID: 31 Dec 2019</p>	<b>RESPONSE OUTSTANDING</b>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Health and Wellbeing – 19 July 2019</b>		
<p>Consider how action plans are managed with the possibility of them being maintained as separate plans for internal (staff), media and external actions with the overall aim of the separate plans entered on to the HOG action plan.</p>	<p><b><i>Localities and Partnerships Officer:</i></b></p> <p>The Health and Wellbeing Action Plan is currently being refreshed. As part of the process the recommendation around how action plans are managed and maintained has will be built into the new approach. The HOG lead officer will put in place a mechanism for ensuring that relevant and updated information is on the HOG action plan.</p> <p>PID: 31 Aug 2019</p>	<p>The action plan was drafted at the start of the year pulling together the health and well-being (BUPA) initiatives and any national initiatives (eg. Mental Health Awareness Week) into one place. The HOG meetings were postponed due to the impact of Covid-19. Note a review of the HOG group has also taken place. Covid-19 increased the focus of staff health and well-being therefore surveys were deployed in June 2020 to managers, staff (and councillors) to assess specific issues. This meant the action plan became responsive to the current situation, rather than focusing purely on Pre-Covid actions. Further progress May to August:</p> <ol style="list-style-type: none"> <li>1. Continued meetings as the internal group including Unison and review at Staff Voice</li> <li>2. Followed up with checklists in July which enabled managers to talk through HWB with each of their staff in more detail.</li> <li>3. We developed an intranet button to share all relevant HWB information and updates for staff and we continue to add to this.</li> <li>4. We developed an internal email sign off focused on HWB.</li> <li>5. We shared contacts with whom staff could discuss their HWB – based on a postcard initiative from 2019/20 plan.</li> <li>6. Plan for a further health and well-being survey to be deployed Jan 2021</li> </ol> <p>Further work is now ongoing to review new priorities and respond both reactively and proactively to the needs of our staff.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Management should be aware of the commitment required from HOG members and ensure they are given the time to be able to commit to the meetings and provide input as required.	<b><i>Localities and Partnerships Officer:</i></b> As part of the refreshed approach to the HOG, the membership has been reviewed to ensure specific teams across the Council have been targeted to form a new refreshed HOG group. PID: 31 Aug 2019	Recommendation addressed – no further response required.
Management involvement with HOG could help to encourage named officers to update the plan.	<b><i>Localities and Partnerships Officer:</i></b> As part of the HOG refreshed approach a new system of version control on action plan updates is being introduced. PID: Ongoing	The refreshed approach of HOG has included the engagement of appropriate Service Areas where Health and Wellbeing is a relevant part of service delivery. Each of the Service Areas were engaged with to identify health and wellbeing actions that been included in their Service Plans and the WDC Health and Wellbeing Action Plans. Named Officers are responsible for reporting progress on the actions at HOG meetings that take place every 6 weeks. To ensure that the action plan is kept up to date and version control measure have been introduced a working version of the action plan has been introduced <b>and a 'master copy' of the plan has</b> been maintained by Localities and Partnerships Officer to ensure that the action plan is kept live.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Utilities Management – 29 August 2019</b>		
Utility related budget lines with large variances should be reviewed to ensure future budgets are more closely aligned with actual expenditure, with the Jubilee House budget being amended to remove the fuel oil budget and include a budget for gas.	<b>Asset Manager:</b> Budget codes will be reviewed for the new financial year and the change required for Jubilee House enacted. PID: 31 March 2020 / 30 September 2020 for Jubilee House	We reviewed the 2020/21 Budgets and updated the overall Gas and Electric budgets to reflect a more accurate position so the budgets have been corrected.  We have also sorted out the Jubilee House Gas Meter issue and will be paying bills from now on, the Gas meter had not been registered is now.
A decision should be taken as to <b>whether AMR or 'smart meters'</b> should be installed for all relevant utilities supplies at relevant Council properties.	<b>Asset Manager:</b> An options appraisal report will be prepared for consideration by CMT. PID: 31 December 2019	We have instructed TGP via ESPO to install the AMR/Smart meters for all of our electric supplies, but that work was on hold nationally due to Covid-19. We have contacted them for an update on whether the works have resumed and await a reply.
The utilities providers should be advised that accounts should be arranged with the relevant tenants, with the tenants being reminded of the terms of their leases with regards to utilities payments.	<b>Estates Management Surveyor:</b> We will ensure that, going forwards, tenants are required to pay for utilities used. PID: 31 December 2019	Completed. Utility meters read and passed on to utility companies on date of new leases to ensure that all future bills are sent to the new tenant



RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
A decision should be taken as to whether monies paid by the Council in relation to utilities previously used by these tenants should be recovered from them.	<b><i>Estates Management Surveyor:</i></b> We will look at individual leases to establish if recovery of earlier monies paid is possible. PID: 31 March 2019	Initial Response: "Completed." <b>Follow-up question - did you establish if recovery of earlier monies paid is possible and, if so, have you been attempting to recover such monies? – not been answered.</b> <b>RESPONSE OUTSTANDING</b>
A review of water charges at cemetery lodges should be undertaken to ensure that tenants are being treated equally.	<b><i>Service Manager – Landlord Services:</i></b> The existing tenancy agreements for the cemetery lodges will be reviewed and legal advice sought on the potential to vary current agreements to rationalise water charging. If this is not possible a revised charging regime will be implemented when a tenancy changes. PID: 31 December 2019	<b>RESPONSE OUTSTANDING</b>
<b>Gas and Electrical Safety Checks – 23 August 2019</b>		
The contractor should be reminded of the terms of the contract, with performance being reviewed accordingly to ensure that this is adhered to.	<b><i>Compliance Team Leader &amp; Gas Servicing Administrator:</i></b> This will be raised with the contractor (Dodds) at the next contract meeting. PID: September 2019	Although we currently do not have any <b>specific KPI's in place, we hold regular</b> monthly meetings where performance is discussed. These meeting have been put on hold due to Covid but will start back up again from next month. We ow have a reporting system in place to manage the compliance performance to be able to monitor servicing due and can work through this in order of priority.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The prices being charged by the contractors should be reviewed to ensure that they are correct.	<b><i>Compliance Team Leader &amp; Gas Servicing Administrator:</i></b> This will be discussed with the contractors at the next contract meetings. PID: D&K – August 2019 / Dodds – September 2019	We make monthly payments to all of our contractors and part of this payment includes producing a query report to monitor the costs of jobs. As part of this we ask to see invoicing and also a breakdown of labour, material costs etc. We also review the costing annually in line with the national CPI.
The scope for varying the contract should be ascertained to take into account fluctuations in the number of properties.	<b><i>Compliance Team Leader &amp; Gas Servicing Administrator:</i></b> This will be raised with the contractor (D&K) at the next contract meeting. PID: August 2019	It was recorded in the contract specification that the value of the Price per Property would stay the same as <b>long as the number of properties hadn't</b> fluctuated or decreased by 3%. We can check this by running a report in preparation for the new financial year. We have yet to go above that figure.
<b>Bereavement Services – 16 July 2019</b>		
Budget monitoring should be carried out monthly and should include communication with the allocated accountant to discuss budget over and under spends. This will help to keep control of the budgets and prevent large discrepancies at the end of the financial year.	<b><i>Bereavement Services Development Manager &amp; Assistant Accountant:</i></b> Monthly meetings have been set up between the Bereavement Services Development Manager and the Accountant to ensure a robust system is in place to manage the budgets on a frequent basis. Additional time will be scheduled as required throughout the year, for example when fees and charges reports are due. PID: July 2019 meetings have been set to take place during the first week of each month.	Recommendation addressed – no further response required.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Grounds Maintenance – 9 October 2019</b>		
There should be plans in place allowing the service to continue to be maintained in the event of the contractor being unable to complete the work.	<i><b>Contract Manager:</b></i> A contingency plan for contractor failure has been created and will be drafted and reviewed annually to ensure it is up to date and relevant. PID: End of October 2019	<b>RESPONSE OUTSTANDING</b>
Documents should be reviewed and renewed as appropriate and signed by relevant parties.	<i><b>Contract Manager:</b></i> A performance bond will be agreed and put in place. PID: End of October 2019	<b>RESPONSE OUTSTANDING</b>
Grounds Maintenance is frequently carried out in public areas whilst members of the public are around. The Council has a responsibility to ensure works on Council land are carried out safely. Checks should be in place to ensure risk assessments have been reviewed annually and are relevant to the contract.	<i><b>Contract Development &amp; Enforcement officer:</b></i> Copies of Risk Assessments are updated annually by IDVerde. This year's copies have been reviewed by The Council and stored in our system. Annual meetings H&S Audit meetings occur between both contract management teams, and include technical H&S Officers from the Councils and the Contractors. PID: Complete	Recommendation addressed – no further response required.

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager

**SUBJECT:** Local Elections – Follow-Up

**TO:** Deputy Chief Executive (AJ)

**DATE:** 26 May 2020

**C.C.** Chief Executive  
Head of Finance  
Democratic Services Manager  
Electoral Services Manager  
Portfolio Holder (Cllr Day)

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### 1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

### 2 **Background**

- 2.1 An audit of Local Elections was undertaken in 2019/20 but specific aspects in relation to the election accounts and recharges could not be performed as they were incomplete due to the number of elections held during the year.
- 2.2 As a result, it was agreed that a short, follow-up audit would be undertaken to cover the areas that could not be completed to give assurance over those controls.

### 3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Accounts and recharging.
- 3.3 The control objectives examined were:
- All relevant costs are recharged
  - Recharges to Town and Parish Councils are accurate.

## 4 Findings

### 4.1 Recommendations from Previous Reports

- 4.1.1 As this is a follow-up to a recent audit the recommendations made during that audit have not been reviewed at this stage and will be picked up when the next scheduled audit is undertaken.

### 4.2 Accounts & Recharging

- 4.2.1 The Electoral Services Manager (ESM) advised that there is no set format for the 'accounts' for local elections, with no submissions required.
- 4.2.2 The method of recharging varies depending on specific costs, with some being a 50/50 split between parish / towns and districts whilst others have a different basis for the sharing (or otherwise) of the costs.
- 4.2.3 Testing to ensure that all relevant costs had been identified and recharged was based on a recharge spreadsheet and a number of other spreadsheets and documents brought together by the ESM, the Assistant Accountant (AA) and the Principal Accountant (PA).
- 4.2.4 Testing proved generally satisfactory, with the relevant costs on the recharge spreadsheet (totalling roughly £140,000 including uncontested election costs) being reconciled to supporting documentation provided and figures on TOTAL. Where figures could not be reconciled, queries were raised with the AA and the ESM. However, three specific issues were identified:
- An error was noted with regards to the polling screen delivery costs as the wrong figure for the number of polling stations was included in the calculation for one parish (Lillington) leading to an undercharge of £96.48.
  - Stationery costs were missed off a number of recharges (13 covering 47 polling stations), leading to an undercharge of £975.25.
  - The printing and postage charges in relation to poll cards was undertaken at a certain point in time using a specific method that may not have taken all relevant related costs into account.

### Risk

**The Council may not receive all income due for services provided on behalf of parish and town councils.**

### Recommendations

**Consideration should be given to the raising of amended invoices where errors have been identified in the cost calculations.**

**A review should be undertaken on the method of cost calculation in relation to poll cards.**

4.2.5 The ESM highlighted that the AA and the PA had undertaken a large amount **of the work (which they wouldn't normally have done) whilst 'competing' with** year-end and the subsequent COVID issues.

4.2.6 Testing was also performed to ensure that invoices had been raised appropriately based on the calculated recharge figures. This test proved satisfactory.

## 5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Local Elections are appropriate and are working effectively.

5.2 The assurance bands are shown below:

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 Minor issues were, however, identified relating to some costs omitted from the recharge spreadsheets and the calculation methods of other specific costs.

## 6 **Management Action**

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit and Risk Manager

**Action Plan**

**Internal Audit of Local Elections – May 2020**

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.2.4	Consideration should be given to the raising of amended invoices where errors have been identified in the cost calculations.	The Council may not receive all income due for services provided on behalf of parish and town councils.	Low	Electoral Services Manager	The costs incurred will be reviewed with invoices subsequently being issued for these costs with an explanatory note that these were identified in the Audit of the accounts.	End of July 2020
4.2.4	A review should be undertaken on the method of cost calculation in relation to poll cards.	The Council may not receive all income due for services provided on behalf of parish and town councils.	Low			

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

Finance and Audit Scrutiny Committee  
30 September 2020

**Title: Revised Internal Audit Plan 2020/21**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillor Hales**

**Public report / Confidential report: No**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	7 Sept 2020	Chris Elliott/Andrew Jones
Head of Service	7 Sept 2020	Mike Snow
CMT	7 Sept 2020	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	7 Sept 2020	Mike Snow
Monitoring Officer	7 Sept 2020	Andrew Jones
Finance	7 Sept 2020	Mike Snow
Portfolio Holder(s)	15 Sept 2020	Councillor Hales



1 **Summary**

- 1.1 The report presents revisions to the Internal Audit Plan for 2020/21. Major updating of the original Plan is necessary due to the consequences of the Coronavirus Pandemic.

2 **Recommendation**

- 2.1 That Committee approves the revisions to the Internal Audit Plan 2020/21.

3 **Reason for the Recommendation**

- 3.1 The Internal Audit Plan is an important element in providing the required independent and objective opinion to the organisation on its control environment, in fulfilment of statutory duties.

4 **Policy Framework**

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

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.2 **FFF Strands**

4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

**Services - Green, Clean, Safe**

**Money- Infrastructure, Enterprise, Employment**

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff**

**Services - Maintain or Improve Services**

**Money - Firm Financial Footing over the Longer Term**

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

### 4.3 **Supporting Strategies**

- 4.3.1 Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

### 4.4 **Changes to Existing Policies**

- 4.4.1 This section is not applicable.

### 4.5 **Impact Assessments**

- 4.5.1 This section is not applicable.

## 5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **Policy Framework**

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into **account the Council's** policies.

## 7 **Risks**

- 7.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.

## 8 **Alternative Options Considered**

- 8.1 This section is not applicable.

## 9 **Background: Internal Audit Plan**

- 9.1 The original Internal Audit Plan for 2020/21 was approved by SMT on 17 February 2020 and by Finance and Audit Scrutiny Committee on 19 March 2020.
- 9.2 The onset of the Coronavirus Pandemic, impacting on the Council from March, has meant that the Internal Audit Plan has had to be revised. There are two principal reasons for this – Internal audit staff being assigned to other tasks and less efficient working arrangements.

- 9.3 In response to the Coronavirus Pandemic, Internal Audit staff have been and will continue to be, albeit to a lesser extent, assigned to various other tasks - some of an audit or investigatory nature, others completely unrelated to auditing or investigating. The former includes pre and post payment checks of business grants. The latter includes working at the Shielding Hub in Whitnash, established to deliver provisions to people needing to shield.
- 9.4 Current working arrangements are not as productive as those in place before the Pandemic. The loss of direct contact with auditees and the lack of a presence at Riverside House are not conducive to auditing efficiently. Inferior working arrangements (primarily accommodation, furniture and IT equipment) have also been factors affecting productivity as has been the absence of colleagues which impedes the quick resolution of queries, especially important for less experienced staff (Internal Audit now comprises two members of staff who, although proving to be excellent appointments, have less than two years' **experience between them**). **It is still possible to** perform audits but, in the main, not as efficiently.
- 9.5 The current working arrangements are anticipated to continue for at least the short term and the revised Plan takes this into account.
- 9.6 To help inform the changes required to the Audit Plan Service Area Managers were requested to complete a short survey. Completion of the survey would enable the highlighting of changes to services and to the control environment in which the services operate. In the absence of any responses to this request for information, Internal Audit has had to use its own judgement to update the Plan. Two main factors were taken into account in deciding which **assignments should remain in this year's Audit Plan and which can be** deferred - the assessment from the previous audit and the length of time since the activity was last audited.
- 9.7 Appendix 1 sets out all the original planned audits for 2020/21 analysing the current status of each audit, the original target days, the actual number of days spent to date (to 16 August), the remaining number of days and the **proposed number of days for the revised Plan. There is also a 'notes' column** that records some basic information about each assignment – in particular whether it is to be completed (or is already complete) or whether it is to be deferred. The assignments are also colour-coded with green signifying that the assignment is to be completed this year and orange signifying that it is to be deferred.
- 9.8 The appendix also details other activities undertaken by the Internal Audit team under the same headings as detailed above. This helps to show where time has been spent and why it is no longer possible to complete all the original planned audits.
- 9.9 The revised Internal Audit Plan was approved by SMT on 7 September.

Activity Description	Current Status	Target Days	Actual To Date (16 August)	Time Required to Complete (Remaining Balances unless already overspent)	Suggested Amended Plan	Notes
<b>Planned Audit Assignments 2020/21 (Key: Green = Assignment completed or to be completed / Orange = Assignment to be deferred / Blue = new assignment)</b>						
Corporate Governance	In Progress	5.0	3.3	1.7	2.0	To be completed (ID)
Emergency Planning & Business Continuity Management	Not Started	10.0	0.0	10.0	14.0	To remain in plan (Audit Assessment - review processes that have operated to keep the Council running during the pandemic) (NL) - Increased allocation to allow NL to familiarise himself with the system / audit
Housing Investment/Maintenance Programmes	Not Started	14.0	0.0	14.0	0.0	To be dropped (Substantial - 18-19 Audit)
Corporate Procurement	In Progress	12.0	12.0	0.5	0.5	Half day to finalise (draft issued) (JB)
Information Governance	Not Started	6.0	0.0	6.0	7.0	To remain in plan (Moderate Assurance) (ID) - increased allowance to accommodate remote working
Cyber Security	Contracted Out	N/A	N/A	N/A	N/A	To remain in plan (CO)
Council Tax	Not Started	10.0	0.0	10.0	14.0	To remain in plan (Core System) (NL) - Increased allocation to allow NL to familiarise himself with the system / audit
National Non-Domestic Rates	Not Started	10.0	0.0	10.0	11.0	To remain in plan (Core System) (ID) - increased allowance to accommodate remote working
Housing Rent Collection	In Progress	14.0	6.7	7.3	7.5	To be completed (JB)
Digital Transformation	Contracted Out	N/A	N/A	N/A	N/A	To remain in plan (CO)
Web Applications	Contracted Out	N/A	N/A	N/A	N/A	To remain in plan (CO)
Corporate Properties Repair and Maintenance	Not Started	13.0	0.0	13.0	0.0	To be dropped (Substantial - 17-18 Audit)
Management of Contracts	Completed	15.0	14.9	0.0	0.0	
Royal Spa Centre	Not Started	14.0	0.0	14.0	0.0	To be dropped (Substantial - 17-18 Audit - Not Operational)
Town Hall Lettings	Not Started	8.0	0.0	8.0	0.0	To be dropped (Substantial - 17-18 Audit - No Lettings)
Catering Concessions	Not Started	5.0	0.0	5.0	7.0	To remain in plan (Moderate Assurance) (JB) - increased allowance to accommodate remote working
Committee Services	Not Started	9.0	0.0	9.0	0.0	To be dropped (Substantial - 17-18 Audit)
Local Elections	Completed	5.0	4.2	0.8	0.0	
Income Receipting & Document Management	Not Started	8.0	0.0	8.0	0.0	To be dropped (Substantial - 17-18 Audit)
Shared Legal Services	In Progress	10.0	17.7	1.0	1.0	Current overspend as this was one of NL's first audits - additional time taken required to learn the processes - day to finalise (draft issued)
Development Management	Not Started	14.0	0.0	14.0	18.0	To remain in plan (Audit Assessment - continuing process during lockdown with remote Committee meetings) (NL) - Increased allocation for NL to familiarise himself with the audit
Local Land Charges	Completed	5.0	7.0	0.0	0.0	
Community Infrastructure Levy and Section 106 Agreements	Not Started	12.0	0.0	12.0	15.0	To remain in plan (Moderate Assurance) (JB) - increased allowance to accommodate remote working
Enterprise Facilities	Not Started	10.0	0.0	10.0	0.0	To be dropped (Substantial - 17-18 Audit)
Rural & Urban Capital Improvement Schemes	Not Started	6.0	0.0	6.0	0.0	To be dropped (Substantial - 17-18 Audit)
Purchasing Cards	In Progress	7.0	1.7	5.3	5.5	To be completed (NL)
Licensing Services	Not Started	11.0	0.0	11.0	0.0	To be dropped (Substantial - 17-18 Audit)
Statutory Monitoring Functions	Not Started	10.0	0.0	10.0	0.0	To be dropped (Substantial - Amended Audit)
Crime and Disorder	Not Started	9.0	0.0	9.0	10.0	To remain in plan (last covered in 16/17) (JB) - increased allowance to accommodate remote working
Sustainability & Delivery Outcomes	In Progress	6.0	0.5	5.5	0.0	To be covered by RB as part of a wider Climate review
Business Applications - MIS Housing and Corporate Property	Contracted Out	N/A	N/A	N/A	N/A	To remain in plan (CO)
Private Sector Housing Regulation	Not Started	13.0	0.0	13.0	0.0	To be dropped (Substantial - 17-18 Audit)
Housing Related Support Services	Not Started	12.0	0.0	12.0	0.0	To be dropped (Substantial - 17-18 Audit)
Tenancy Management	Not Started	10.0	0.0	10.0	12.0	To remain in plan (Audit Assessment - processes during lockdown) (JB) - increased allowance to accommodate remote working
William Wallsgrove House	Not Started	10.0	0.0	10.0	0.0	To be dropped (New Audit)
Building Cleaning Services	Not Started	10.0	0.0	10.0	12.0	To remain in plan (Audit Assessment - operation during lockdown / reopening) (ID) - increased allowance to accommodate remote working
Corporate Training	In Progress	6.0	16.0	1.0	1.0	Current overspend as this was one of NL's first audits - additional time taken required to learn the processes - day to finalise (draft issued)
Communications	Not Started	8.0	0.0	8.0	10.0	To remain in plan (Audit Assessment - communication processes during lockdown) (NL) - Increased allocation for NL to familiarise himself with the audit
Media Services	Not Started	10.0	0.0	10.0	0.0	To be dropped (Substantial - 17-18 Audit)
Staff Health & Wellbeing	New	0.0	0.0	0.0	6.0	New audit to review the processes that have been implemented to support staff during lockdown (JB)
Completion of 19/20 Audits	Completed	0.0	3.9	0.0	0.0	No further time required
<b>TOTAL TIME FOR AUDIT ASSIGNMENTS (INTERNAL)</b>		<b>337.0</b>	<b>87.9</b>	<b>275.1</b>	<b>153.5</b>	
National Fraud Initiative	In Progress	15.0	2.0	13.0	20.0	Full exercise due this year - increased allocation as ID new to process and taking part in additional match (Mortality Screening Exercise)
Sundry Advice and Consultancy		30.0	15.1	14.9	15.0	
Contingency Audit Work (COVID Grant Checking so far)		20.0	62.3	30.0	30.0	Estimate of time required to deal with grant checking (remaining SBG, RHLG & discretionary)
Contingency (Non-Audit Work)		10.0	0.1	9.9	3.0	To be (largely) subsumed into PIA Deputising for A&R Manager
IT Audit Contract Management		5.0	0.4	4.6	4.0	Audits now starting
Corporate Fraud Contract Management		10.0	1.2	8.8	8.0	
Staff Supervision & Review of Work		15.0	2.0	13.0	8.0	Reduced allocation - allowance had been included for shadowing NL on first audits which has not been possible due to WFH and reduced number of audits (to be) undertaken
Deputising for Audit & Risk Manager		8.0	1.8	6.2	5.0	Reduced allocation - RB able to attend more meetings etc due to remote working during lockdown
Planning & Progress Recording		15.0	1.5	13.5	10.0	Reduced allocation - fewer time reports produced to date
General Management		10.0	1.0	9.0	7.0	Reduced allocation - has not been as much of a call for time during lockdown

Activity Description	Current Status	Target Days	Actual To Date (16 August)	Time Required to Complete (Remaining Balances unless already overspent)	Suggested Amended Plan	Notes
TOTAL PRODUCTIVE TIME (INTERNAL)		475.0	175.3	398.0	263.5	
Non-Rechargeable Time						
Technical Reading		24.0	3.8	20.2	10.0	Reduced allocation - no journals / magazines
Audit Planning		6.0	6.2	5.0	5.0	Planning of individual assignments (following amendment to plan)
Time Recording		9.0	4.3	4.7	5.0	
Training		70.0	18.9	51.1	50.0	
Team Meetings/Briefings		15.0	7.0	8.0	8.0	
Sundry Administration		30.0	12.8	17.2	17.0	
Corporate Initiatives/Briefings		6.0	0.3	5.7	3.0	Reduced allocation - lack of events!
Service Development		9.0	0.2	8.8	3.0	To be (largely) subsumed into PIA General Management
COVID Non Chargeable		0.0	22.3	20.0	20.0	
COVID Volunteering		0.0	10.5	0.0	0.0	No further volunteering expected
Absence						
Annual Leave		82.0	23.5	58.5	58.5	
Bank/Concessionary Holidays		33.0	12.0	21.0	21.0	
Sickness		15.0	2.5	12.5	10.0	Reduced sickness absence due to WFH
Other Absence		6.0	0.0	6.0	6.0	
TOTAL NON-RECHARGEABLE TIME		305.0	124.3	238.7	216.5	
TOTAL		780.0	299.6	636.7	480.0	

Available Time (32 weeks x 15 days)		480.0	480.0
	Shortfall:	156.7	0.0

Finance and Audit Scrutiny Committee  
30 September 2020

**Title: Anti-Fraud and Corruption Statement 2020/21**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillors Day and Hales**

**Public report / Confidential report: No**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	7 Sept 2020	Chris Elliott/Andrew Jones
Head of Service	7 Sept 2020	Mike Snow
CMT	7 Sept 2020	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	7 Sept 2020	Mike Snow
Monitoring Officer	7 Sept 2020	Andrew Jones
Finance	7 Sept 2020	Mike Snow
Portfolio Holder(s)	15 Sept 2020	Councillors Day and Hales

1 **Summary**

- 1.1 The report is concerned with presentation to Members of an Anti-Fraud and Corruption Statement for review and approval. The Statement provides a **record of the Council's** policies and objectives in regard to countering fraud and corruption and is set out as Appendix A.
- 1.2 There are a number of ongoing actions that are being undertaken in order to prevent, deter and detect fraud and corruption and these are set out in Appendix B.

2 **Recommendations**

- 2.1 That Members approve the Anti-Fraud and Corruption Statement.
- 2.2 That Members note the ongoing actions to prevent, deter and detect fraud and corruption.

3 **Reasons for the Recommendation**

- 3.1 The Statement has been reviewed to ensure that it remains relevant given the way that the Council operates and it has been compared with a number of other strategies including those of the other Warwickshire councils. The Statement is broadly similar in content to the others examined and no changes are considered necessary as part of this review.

4 **Policy Framework**

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

- 4.1.1 **The Council's FFF** Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.
- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation **to the Council's FFF Strategy**.

4.2 **FFF Strands**

4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

**Services - Green, Clean, Safe**

**Money- Infrastructure, Enterprise, Employment**

Although there are no direct policy implications the Statement is part of the Council's overall governance arrangements and will help to shape the policy framework and Council policies.

4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff**

**Services - Maintain or Improve Services**

**Money - Firm Financial Footing over the Longer Term**

Although there are no direct policy implications the Statement is part of the Council's overall governance arrangements and will help to shape the policy framework and Council policies.

4.3 **Supporting Strategies**

- 4.3.1 Each strand of the FFF Strategy has several supporting strategies but direct reference to them is not necessary in considering the subject matter of this report.

4.4 **Changes to Existing Policies**

- 4.4.1 This section is not applicable to this report.

4.5 **Impact Assessments**

- 4.5.1 This section is not applicable to this report.

5 **Budgetary Framework**

- 5.1 All of the Council's services and activities can be affected by fraud and corruption but approval of the action plan does not have any direct impact on Council budgets. Having measures in place to deter fraud and corruption helps to ensure that resources are used efficiently and effectively.

6 **Risks**

- 6.1 The risk of not approving the Statement for 2019-20 relates to the perception that the individual declarations and assertions contained within it **are not supported by the Council's leadership. This could impact on the level of fraud that the organisation faces.**

7 **Alternative Options Considered**

- 7.1 The report is not based on 'project appraisal' so this section is not applicable.

8 **Background**

- 8.1 In the mid-1990s local authorities were encouraged to state publicly and formally their stance on fraud and corruption and as part of that to formulate and adopt an Anti-Fraud and Corruption Strategy. Accordingly, a Strategy was adopted in 1995. Since that time the Strategy has been subject to an annual review.



- 8.2 It is now considered that the term '**Statement**' is a more appropriate term for the document as it is more of a statement of policies and objectives rather than a detailed description of how those policies and objectives are to be achieved. Such information is contained elsewhere, principally in Service Area Plans and Appraisal documents. The Statement is set out as Appendix A.
- 8.3 Keeping the Statement under review and comparing it with those of other local authorities ensures that it remains relevant.
- 8.4 Appendix B provides a list of ongoing actions that are being undertaken in order to prevent, deter and detect fraud and corruption.
- 8.5 Undertaking the items set out in the action plan helps to maintain the overall control environment and raise awareness on fraud and corruption matters.

**Warwick District Council  
Anti-Fraud and Corruption Statement 2020/21**

**1 Introduction**

- 1.1 Warwick District Council is a large organisation employing several hundred staff and spending around £100 million a year of taxpayers' money. Like most organisations it is a possible target for fraud and corruption which could be attempted by employees, external organisations or members of the public.
- 1.2 The Council is determined to do everything that it reasonably can to deter, prevent and detect fraud and corruption and it is committed to the Anti-Fraud and Corruption Statement.

**2 Policy Statement**

- 2.1 Warwick District Council aims to provide quality services that are accessible to all sections of the community and delivered fairly and efficiently. In doing so the Council is firmly opposed to fraud and corruption of any kind and will take prompt and decisive action to deal with any instances that are identified and will deal equally with perpetrators from inside and outside the Council.
- 2.2 At all times the Council will endeavour to ensure that all of its dealings are carried out with honesty and integrity with no thoughts of fraudulent or corrupt acts and in turn it will expect all partners, suppliers, contractors, organisations and individuals that it deals with to behave in the same way.
- 2.3 **The Council's elected Members and staff will lead by example and ensure** that they comply with all policies, codes, regulations and controls that are in place.
- 2.4 The Council will pursue all individuals or organisations suspected of having defrauded or having committed corrupt acts and will report them to the Police if appropriate.
- 2.5 This policy will be delivered by a series of measures contained in the Anti-Fraud and Corruption Statement.

**3 Definitions**

- 3.1 Fraud is the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain or to mislead or misrepresent.
- 3.2 Corruption is the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person; or the failure to disclose an interest in order to enjoy financial or other pecuniary gain.

## 4 **Statement**

- 4.1 The Statement comprises a series of measures and procedures, detailed below, that are designed to frustrate any attempted fraudulent or corrupt acts.

## 5 **Culture**

- 5.1 The Council wishes it to be known that the culture and tone of the authority is one of openness, honesty and equality with wholehearted opposition to fraud and corruption in any form.
- 5.2 Council Taxpayers are entitled to expect the highest standards of accountability, stewardship and probity from the Council. To an extent these expectations will be met by the Council complying with legislation. For example:
- The Council must appoint a Responsible Financial Officer who is **responsible for the Council's financial** strategy and direction and also for ensuring that there are sound systems of financial control in place;
  - The Council is required to ensure the existence of adequate and effective internal audit arrangements;
  - Independent external auditors are appointed to scrutinise the **Council's** business;
  - **Procedures exist for the public to inspect the Council's accounts and** to question the external auditors;
  - The Council is required to appoint a Monitoring Officer to monitor the lawfulness and fairness of decision making;
  - Decisions are made in public meeting except in circumstances where the need for confidentiality is paramount;
  - Members of the public can request the Local Government Ombudsman and Housing Ombudsman to investigate cases of alleged maladministration.
- 5.3 Additionally the Council will have:
- A Code of Corporate Governance
  - A system of scrutiny whereby Members of the Council review past decisions and examine specific issues within service areas.

## 6 **Prevention**

### 6.1 **Staff**

- 6.1.1 The Council acknowledges that the recruitment and retention of high calibre staff is vital to the delivery of quality services and that staff have a key role to play in the prevention and detection of fraud and corruption.
- 6.1.2 When appointing to posts, written references will always be taken up and referees will **be asked to give their views on candidates' honesty and integrity**.
- 6.1.3 Confirmation of identity, academic qualifications and the right to live and work in the UK will be obtained before any offers of employment are made.

- 6.1.4 Depending on the duties of the post, the selection process will include reference to the Disclosure and Barring Service.
- 6.1.5 Council staff who are members of professional bodies will be expected to observe the standards advocated by those bodies which may be laid down in codes of conduct.
- 6.1.6 All staff of the Council will be bound by any National, Local or Departmental codes of conduct.
- 6.1.7 All staff must operate and adhere to all of the relevant procedures and codes that form the Council's **overall control framework** including an Employee Code of Conduct.

## 6.2 **Members**

- 6.2.1 Elected Members are expected to observe the highest standards of conduct which are enshrined in legislation, **the Council's constitution** and **the Members' Code of Conduct**.
- 6.2.2 Members are required to declare specific information concerning their financial and other interests and for ensuring that this information is kept up to date.
- 6.2.3 Members are required to declare their interests at all meetings, both internal and external, whether decision making or not.
- 6.2.4 The Council has a Standards Committee and has two Independent Persons from outside the Council in line with the Localism Act 2011. Its role is to promote and maintain high standards amongst Members and to investigate any alleged breaches of the Code of Conduct.

## 6.3 **Systems**

- 6.3.1 The Council is committed to operating financial and management systems and procedures which incorporate efficient and effective internal controls.
- 6.3.2 Senior managers with responsibility for systems are responsible for ensuring that such controls are achieved and maintained.
- 6.3.3 **The Council's Internal Audit Service will carry out periodic reviews of all** systems and activities to ensure that controls exist and are being adhered to and that senior managers are meeting their responsibility.

## 6.4 **Working with others**

- 6.4.1 Arrangements are in place for the regular exchange of information between the Council and Government agencies for the purpose of preventing and detecting fraud.
- 6.4.2 The Council will participate in data matching exercises with appropriate organisations in order to detect fraud.

6.4.3 Whenever any information is to be exchanged the person or organisation supplying the information will be advised accordingly.

6.4.4 Staff will be encouraged to participate in local and national professional groups and forums in order to exchange information, ideas and experiences.

## 6.5 **Internal Audit**

6.5.1 The Council is required to maintain an adequate and effective system of **internal audit as part of the Responsible Financial Officer's duty to ensure that there are proper arrangements in place to administer the Council's financial affairs.**

6.5.2 The adequacy and effectiveness of internal controls is monitored by the **Council's Audit Section as part of their annual programme of work.** Any weaknesses in internal control are reported to management whose duty it is to ensure that corrective action is taken.

6.5.3 The work of the Audit Section and their progress against the Audit Plan is overseen by a committee of the Council who receive summaries of all audit reports and management responses.

6.5.4 The Audit Plan is prepared following a risk assessment of audit areas which determines the frequency of audits and particular areas to focus attention on. The risk assessment process is subject to an ongoing review.

6.5.5 The Head of Internal Audit will ensure that all Internal Audit staff have the appropriate skills and expertise to carry out their duties.

## 6.6 **Fraud Investigation**

6.6.1 Sitting within the Audit and Risk function within Finance is a resource that investigates corporate fraud - all non-employee fraud - perpetrated against the Council.

6.6.2 In recent years this function has been outsourced and is currently being provided by Oxford City Council. Essentially, the City Council provides one FTE employee to assist with the investigation of fraud, as well as undertaking activities to deter and prevent fraud such as staff training and awareness campaigns. Although the resource is one FTE, several staff are provided which enables the availability of a range of skills.

## 6.7 **External Audit**

6.7.1 Independent external audit is an essential safeguard to the stewardship of public money. **The Council's external auditors will carry out their duties in accordance with the Code of Audit Practice.**

6.7.2 **The Code emphasises management's role in preventing and detecting fraud and corruption. It is the external auditor's role to review the Council's arrangements for meeting this responsibility.**

6.7.3 External Audit will be notified of all frauds involving sums over £1,000 and of any corrupt acts.

## 7 **Detection**

- 7.1 Managers are responsible for the prevention and detection of fraud, corruption and other irregularities. Managers should pay special attention to particular circumstances which may indicate an irregularity.
- 7.2 Managers are required to notify the Head of Audit immediately if a fraud or other irregularity is discovered or suspected. They should also ensure that:
- any supporting documentation or other evidence is secured; and
  - confidentiality is maintained so as not to prejudice any subsequent investigation.
- 7.3 Staff should report any suspected irregularities to their line manager or **they may use the Council's Whistleblowing Policy and Procedure.**
- 7.4 Internal Audit will assist managers to discharge their responsibilities when they are conducting audits by establishing and testing expected controls. Any control weaknesses will be reported to managers and also to **committee together with managers' responses.**

## 8 **Investigation**

- 8.1 If an act of fraud or corruption is discovered or suspected, the initial investigation will be conducted by Internal Audit.
- 8.2 If the initial investigation reveals that a full investigation is warranted **Internal Audit will invoke the Council's Fraud Response Plan and Disciplinary Procedure.**
- 8.3 The decision to involve the Police will be taken by the Head of Audit in consultation with the relevant managers and the Chief Executive. The Council will co-operate fully with the Police and Internal Audit will work closely with them to gather evidence and provide information.
- 8.4 Whenever possible the Council will seek restitution for any losses suffered. This may include recovery from a Pension Fund, an insurance claim or civil action.
- 8.5 At the conclusion of the investigation a report will be prepared for management and for committee. A review of the investigation will be carried out and any control weaknesses identified will be considered with a view to taking appropriate remedial action.
- 8.6 Allegations of fraud or criminal misconduct against Members will be considered under the procedure for handling complaints about the conduct of Members led by the Monitoring Officer. Where appropriate, partners such as the Police or Internal or External Audit will be involved.

## 9 **Deterrence**

- 9.1 The Council will state publicly at every appropriate opportunity that it is strongly opposed to all forms of fraud and corruption.

- 9.2 The Council will act firmly and decisively when fraud and corruption is suspected and proven e.g. the termination of contracts, the dismissal of staff, the prosecution of staff or other offenders.
- 9.3 The Council will take action to effect the maximum recoveries e.g. through agreement, court action, penalties, insurance, Pension Funds.
- 9.4 **The Council's systems will contain sound internal controls that are kept under review to minimise the opportunity for fraud and corruption.**
- 9.5 The **Council's Anti-Fraud and Corruption Statement** will be publicised to all staff and posted on the Council's website.

## 10 **Training**

- 10.1 The Council recognises that the success of its Anti-Fraud and Corruption Statement will very much depend on the effectiveness of staff throughout the authority.
- 10.2 The Council supports the concept of induction training and follow up training, particularly for those staff involved with internal control systems.
- 10.3 It is the responsibility of managers to ensure that their staff are adequately trained to carry out their duties.
- 10.4 Investigation of fraud and corruption will be undertaken primarily by Internal Audit. Staff of the section should receive appropriate training in this area.
- 10.5 Members of the Council will receive training on a wide range of topics including declarations of interest, the Code of Conduct and their role in promoting the Anti-Fraud and Corruption stance.

## 11 **Conclusion**

- 11.1 The Council has in place a framework of systems and procedures, to assist in the fight against fraud and corruption. It is determined to ensure that these systems:
- are complied with;
  - keep pace with future developments; and
  - are fully supported by staff and members.
- 11.2 This document will be subject to annual review to ensure its currency. The responsibility for this rests with the Head of Internal Audit and, ultimately, the Responsible Financial Officer.
- 11.3 The Council is committed to ensuring the wide circulation of this Statement within and outside the Council in order that all relevant parties appreciate the high standards which the Council is determined to observe in all its business.

**Ongoing Actions to Prevent, Deter and Detect Fraud and Corruption**

**1. OBJECTIVE: Undertake assignments in the 2020/2021 Audit Plan and any investigations required**

- 1.1 Complete audits contained in the revised annual Audit Plan approved by members in September 2020, monitor progress regularly throughout the year and take appropriate remedial action if necessary. The scope and Objectives of the audits will include an assessment of the controls in place and confirming or improving those controls will indirectly assist in fraud prevention and detection.
- 1.2 Investigate any fraud or irregularity cases uncovered or referred to Internal Audit. If there are grounds for an investigation report the circumstances, the approach adopted and the outcome to members. If the resources required to undertake an investigation have an impact on the Audit Plan and a shortfall is identified a report will be submitted to Finance & Audit Scrutiny Committee listing the possible options.
- 1.3 Report the management responses to any recommendations contained in the action plans accompanying Internal Audit reports to Finance & Audit Scrutiny Committee.

**2. OBJECTIVE: Promote fraud awareness within the Council**

- 2.1 Post a notice on the council's Intranet reminding staff that fraud is an ever present threat, how to identify the signs and what to do if fraud is taking place or suspected.
- 2.2 Undertake a staff survey to gauge the overall attitude to fraud and the awareness of how to respond to any occurrences or suspicions.
- 2.3 Attend the council's corporate induction courses as arranged and provide a fraud awareness session.
- 2.4 Compile a handout for new starters covering basic fraud awareness, how to deal with concerns, details of basic controls in place and contact details.
- 2.5 Publicise details of any frauds perpetrated or attempted against the council as they occur and details of any potential new fraudulent activity in local government received. If necessary, review procedures and controls to mitigate the risk.

**3. OBJECTIVE: Participate in data exchange and research initiatives**

- 3.1 Provide data to the annual National Fraud Initiative (NFI) exercise and respond to referrals received as a result.



3.2 Present a report to Finance and Audit Scrutiny Committee on the outcome of the NFI exercise.

3.3 Complete any appropriate surveys of fraudulent activity in local government undertaken by the recognised professional and government bodies.

**4. OBJECTIVE: Enable public reporting of suspected fraud or corruption**

4.1 Review the Fraud pages on the WDC website and revise and update if necessary.

4.2 Ensure that there are no obstructions to members of the public reporting fraud.

**5. OBJECTIVE: Ensure Internal Audit staff remain aware of best practice and new developments**

5.1 Arrange for members of the Internal Audit Team to attend any appropriate and affordable training events and to attend the Warwickshire and Midlands professional networking groups.

5.2 Arrange to run workshops for the Internal Audit staff on investigative practice following the successful completion of the CIPFA Certificate in Investigate Practice.

**6. OBJECTIVE: Review Statement**

6.1 Review the content, currency and format of the Anti-Fraud and Corruption Statement. Compare the statement with those of the other Warwickshire authorities and a random selection from other authorities.

6.2 Review any CIPFA or other relevant bodies' guidance on fraud and corruption issued during the year and consider if any of the recommendations require changes to **WDC's fraud prevention procedures** or the Anti-Fraud and Corruption Statement.

6.3 Present the Anti-Fraud and Corruption Statement annually to Finance and Audit Scrutiny Committee for review and approval.

Finance and Audit Scrutiny Committee  
30 September 2020

**Title: Corporate Fraud Investigation Performance Report 2019/20**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillor Hales**

**Public report / Confidential report: No**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	7 Sept 2020	Chris Elliott/Andrew Jones
Head of Service	7 Sept 2020	Mike Snow
CMT	7 Sept 2020	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	7 Sept 2020	Mike Snow
Monitoring Officer	7 Sept 2020	Andrew Jones
Finance	7 Sept 2020	Mike Snow
Portfolio Holder(s)	15 Sept 2020	Councillor Hales

1 **Summary**

- 1.1 Report provides details of performance by Corporate Fraud Investigation team for 2019/20.

2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved.

3 **Reasons for the Recommendations**

- 3.1 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Counter-fraud measures form a key part of each of those elements and so Members of an audit committee require assurance on anti-fraud and corruption activity.

4 **Policy Framework**

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

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.
- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.2 **FFF Strands**

4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

To ensure that services which the public can access such as social housing, council tax reduction and any discounts, are not obtained fraudulently. This contributes to ensuring these services are available for residents and businesses in most need.

**Services - Green, Clean, Safe**

The work of the Fraud Team helps to ensure that the resources of the Council are properly used in the provision of Council services.

**Money- Infrastructure, Enterprise, Employment**

The work of the Fraud Team helps to ensure that the resources of the Council are properly used in the provision of Council services.

#### 4.2.2 **Internal impacts of the proposal(s)**

##### **People - Effective Staff**

Although there are no impacts all staff have been given the opportunity to attend training sessions to assist them in recognising suspicious activity which potentially could be fraudulent.

##### **Services - Maintain or Improve Services**

The provision of our fraud service assists in ensuring that only those people who are entitled, receive the services thereby ensuring we focus on customers' needs.

##### **Money - Firm Financial Footing over the Longer Term**

The work of the fraud team is crucial in ensuring public funds are protected.

#### 4.3 **Supporting Strategies**

- 4.3.1 Each strand of the FFF Strategy has several supporting strategies but direct reference to them is not necessary in considering the subject matter of this report.

#### 4.4 **Changes to Existing Policies**

- 4.4.1 This section is not applicable.

#### 4.5 **Impact Assessments**

- 4.5.1 This section is not applicable.

### 5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, an effective control framework helps the Authority manage its resources economically, efficiently and effectively.

### 6 **Risks**

- 6.1 Effective fraud investigation should reduce and deter the risk of inappropriate use of public resources.

### 7 **Alternative Options Considered**

- 7.1 This section is not applicable as the report is not concerned with presenting alternative options for consideration.

### 8 **Background**

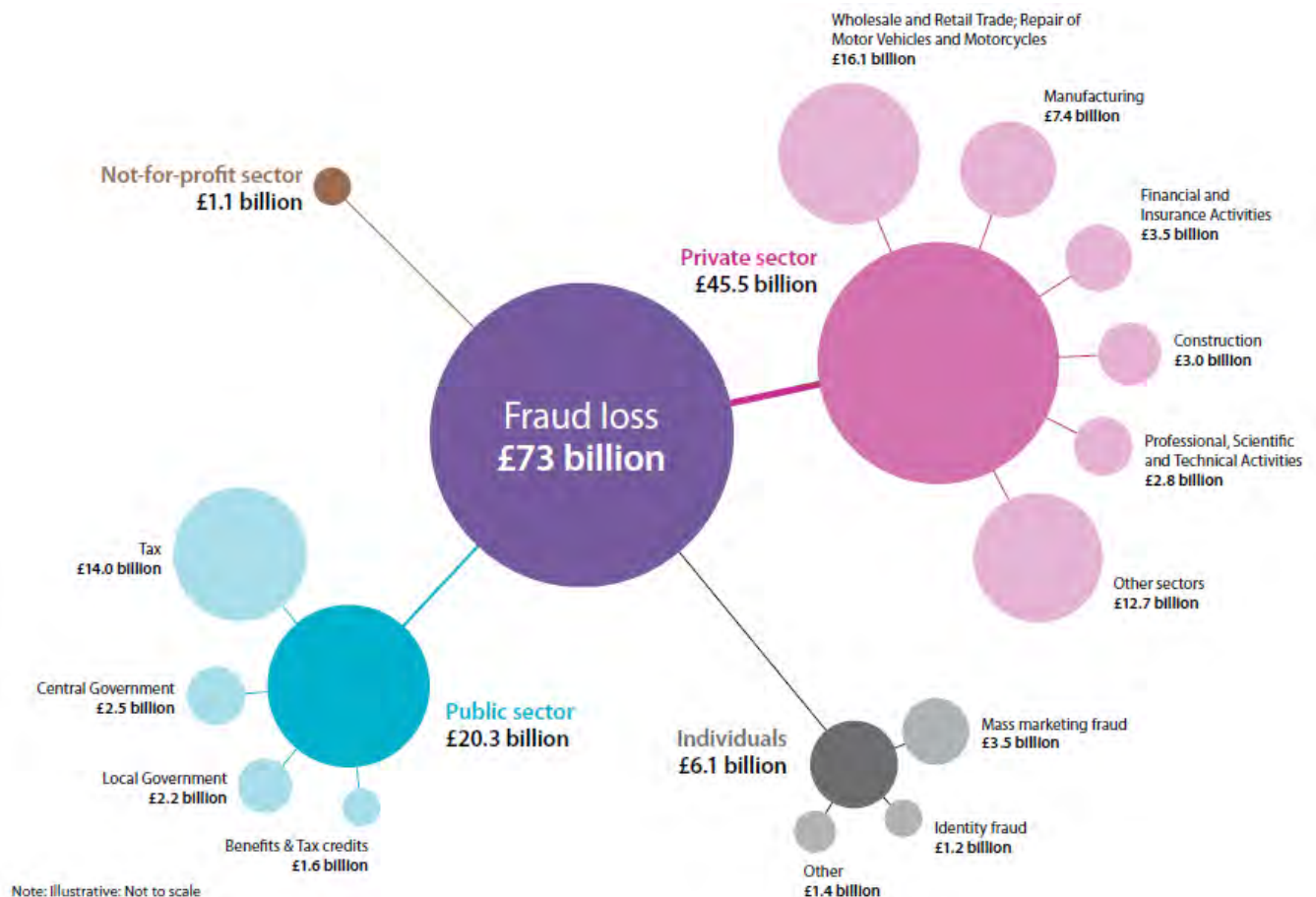
- 8.1 All references to fraud within this document include any type of fraud-related offence. Whilst the Fraud Act (2006) (the 'Act') does not provide a single definition of fraud, it may be described as 'theft by deception'. The key

characteristics of fraud include an individual acting dishonestly and with the expectation of either making a gain for themselves or another person, or, causing loss to a third party.

8.2 The Act identifies fraud as a single offence that can be committed in three separate ways:

- Fraud by false representation – A person dishonestly makes a false representation, intending to make a gain for himself or another, or to cause loss another or to expose another to a risk of loss. The legal **definition of 'representation' is broad and includes written, verbal and non-verbal communication.**
- Fraud by failing to disclose information – A person dishonestly fails to disclose to another person information which they are under a legal duty to disclose, and intends, by failing to disclose the information to make a gain for himself or another, to cause loss to another or to expose another to a risk of loss.
- Fraud by abuse of position – A person abuses their position, intending to make a gain for themselves or another or to cause loss to another.

8.3 In 2012 the government set up a body to examine fraud in local government. It culminated in the production of a paper entitled "Fighting Fraud Locally: The Local Government Strategy". The diagram below, contained in that paper, depicts the estimate of loss to fraud in the UK across all sectors:



To comply with SCULPT readability requirements, the key points from this diagram are set out below.

- 8.4 Of the total sum lost each year to fraud, around 30 per cent occurs in the public sector, with estimated losses of around £20 billion a year. Although the majority of this loss is the result of fraud against the tax system, about £6 billion is estimated to be in areas such as payroll, procurement, grants and pensions. Fraud in local government accounts for around 11% of total public sector fraud, costing taxpayers about £2.2 billion a year. The table below provides a breakdown of this figure.

<b>Fraud Type</b>	<b>Fraud Loss</b>
Housing Tenancy fraud	£900 million
Procurement fraud	£890 million
Payroll fraud	£153 million
Council Tax fraud	£131 million
Grant fraud	£41 million
Pension fraud	£5.9 million

- 8.5 Estimates of the value of fraud perpetrated in the UK vary from year to year but in recent years have been heading towards £100 billion per year. The estimated annual loss to fraud in councils is still in excess of £2 billion.
- 8.6 In February 2015, the Housing Benefit fraud investigation function transferred to the Department for Work and Pensions under the auspices of the Single Fraud Investigation Service (SFIS). Following several unsuccessful attempts to recruit suitably-qualified investigation staff, alternative options for providing the service were considered. In February 2016 arrangements were agreed with Oxford City Council to provide a Corporate Fraud Service for Warwick District Council. The Fraud Unit at Oxford City Council had been, and still are, providing a fraud investigation service for a number of other councils including Oxfordshire County Council. The team at Oxford were the Institute of Rating Revenues and Valuation (IRRV) winners for Excellence in Corporate Fraud in 2016.
- 8.7 Warwick District Council pays for one full time equivalent employee from Oxford City Council. This is achieved through a number of individuals (usually two or three) employed by Oxford. This enables a range of skills and expertise to be provided.
- 8.8 **Most of the investigations undertaken by the team are 'reactive'** investigations. These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed. An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.
- 8.9 One source of referral is the National Fraud Initiative (NFI). The NFI, coordinated by the Cabinet Office, matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and

rescue authorities as well as local councils and a number of private sector bodies. Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis. The Council has always sought to investigate the majority of matches received via the NFI. This is resource-intensive, however, and usually delivers very little in the way of results. In addition to the normal matches, NFI provided an additional single person discount (SPD) report that matches data to other external sources such as blue badge and concessionary travel data. However, due to the timing of when data is collected and the length of time before the matches were received, a view was taken that only the high-risk cases would be checked and the team would undertake a separate SPD review. The Team have access to a data matching system and, using this technology to review single person discount cases, will ensure that any data submitted is matched and returned daily. An SPD pilot was established and an officer appointed within the Revenues team to identify single person discount matches. The review was completed but a decision was made to not proceed so matches were not investigated.

- 8.10 As part of the contract, the team from Oxford also provide fraud awareness training sessions to staff across the Council, and this has now been incorporated into the corporate induction training. More recently, as part of their fraud prevention work, the team have been providing additional assistance to staff in the housing advice team, to assist with their investigative interviewing skills when interviewing customers who present as homeless. Further guidance has also been provided to help them interpret information obtained through the national anti-fraud network.

### 9 **Types of Fraud Investigated by Corporate Fraud Team**

#### 9.1 **Council Tax Fraud**

This can be broken down into two main areas - Discount and Exemption fraud and Council Tax Support fraud.

##### 9.1.1 **Discount and Exemption fraud**

The owner leaseholder or tenant of a property is responsible for paying Council Tax. The amount paid is based on the banding of the property. The full liability is based on two or more adults being at the property and a full bill is paid unless an exemption or discount is granted. Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a **student when they aren't or claiming** Empty property exemption when the property is occupied.

##### 9.1.2 **Council Tax Support fraud**

The Department of Work and Pensions (DWP) is responsible for the investigation of Housing Benefit (means tested help with paying rent) fraud however Council Tax Support (means tested help with paying Council Tax) fraud is often associated with Housing Benefit fraud and it is the Council's job

to investigate this. Examples of Council Tax Support fraud include making a **false statement about one's household, income or capital and failing to report** a change of circumstances.

## 9.2 **Social Housing Fraud**

The unlawful misuse of social housing can be broken down into two main areas – Housing Tenancy fraud and Right to Buy fraud.

9.2.1 **Housing tenancy fraud** includes offences such as unlawful subletting, false homeless applications, non-residency and unauthorised tenancy succession.

9.2.2 **Right to Buy fraud** includes fraudulent applications under the right to buy/acquire schemes.

Unlawful occupation of social housing has a direct financial impact on local authorities because they are responsible for providing and paying for temporary accommodation for homeless people who could otherwise be housed in permanent social housing.

## 9.3 **Housing Benefit fraud**

9.3.1 Housing Benefit and Council Tax Benefit, where they are still paid, are administered by the Council on behalf of the Government. They are paid to people who are liable to pay rent and/or Council Tax and who have a low income, whether they are working or not. Benefit fraud is defined as someone obtaining state benefit they are not entitled to or deliberately failing to report a change in their personal circumstances e.g. failure to disclose financial assets and/or changes to employment or individual(s) residing at a property.

9.3.2 Since the introduction of Universal Credit in 2013, to help with housing costs, the majority of eligible residents receive Universal Credit payments from DWP rather than Housing Benefit from their local authority. For some claimants, however, Housing Benefit can still be claimed from the local authority. This includes people on low incomes who are pensioners (both members of a couple must be pensioners), live in supported (specified) accommodation, or are in receipt of a severe disability premium (and who are not claiming Universal Credit). (It only applies to rent; it is not available for mortgage repayments.)

9.3.3 At the same time, Council Tax Benefit also ceased to exist and was replaced by Local Council Tax Support.

9.3.4 DWP have the responsibility of investigating all HB fraud and will joint work with local authorities where Local Council Tax Support is also claimed. Although councils are no longer responsible for the investigation of this fraud, as administrators of this benefit there is a responsibility to try to prevent fraud and to notify the Department of Work and Pensions (DWP) of any suspected fraudulent activity including false applications and failures to declare changes in circumstances.



9.3.5 Discretionary Housing Payment (DHP) is a discretionary scheme where the local authority can provide extra money to help a claimant meet their housing costs such as providing assistance with a rent shortfall, a rent deposit and rent in advance. DHPs are only for extra help towards Housing Costs and are not for help with Council Tax. When investigating a Housing Benefit fraud, if it is discovered that the customer has received DHP an attempt would be made to recover it. It is not covered in the same legislation as HB or CTR overpayments, however, and therefore cannot be included as part of any sanction.

#### 9.4 **National Non-Domestic Rates fraud**

9.4.1 National Non-Domestic Rates (NNDR), more commonly referred to as Business Rates, is paid by all businesses unless they qualify for a relief or an exemption. Examples of NNDR fraud include:

- A business falsely claiming that a property is unoccupied to obtain an empty property exemption.
- A charity or not for profit organisation registered as the occupier of a property to claim mandatory and discretionary rates relief whilst the property is actually being used by a profit-making organisation.
- A business falsely claiming insolvency with the intent to avoid paying rates.

9.4.2 NNDR frauds would be investigated by the Fraud team but no referrals were received during the year.

#### 10 **Sanctions**

10.1 Investigations where fraud is proven are punishable either by issuing a formal caution or an administrative penalty (**known as "ad-pen"**) is an agreement with the claimant that in addition to the repayment of the debt they will pay a further amount. This amount is determined by legislation and is calculated as a percentage of the debt. The level of the percentage differs depending on the period in which the overpayment occurred. Neither of these sanctions results in a criminal record. In more severe cases, a claimant will be prosecuted. Sanctions are increasingly less common since DWP took over HB investigations – we can still offer an administrative penalties and cautions but only do so on very rare occasions. Joint cases with the DWP, on the other hand, will often result in ad-pens or prosecutions. We can offer a civil penalty in respect of council tax and this is £70 penalty added to the account following an investigation but due to COVID-19 the Revenues team have not been issuing these so as not to put anyone under added financial pressure.

#### 11 **Corporate Fraud identified during 2019/20 at Warwick District Council**

11.1 The total amounts of savings to Warwick District council identified by the Corporate Fraud Investigation team for 2019/20 is £270,699.57. This includes cash and non-cash savings. Of this total, £224,620.97 represents cash savings. The remainder is non-cash savings based on predictions. The

predictions usually relate to estimates, from experience, of perpetuation of the fraud if it had not been discovered. Of this total, the majority - £165,600 - is based on the identification of two fraudulent Right to Buys.

- 11.2 An analysis of the savings identified by the Corporate Fraud Investigation team for 2019/20 is set out as Appendix 1 to this report.
- 11.3 An explanation of each of these types of savings together, in the case of non-cash savings, with an explanation of how they have been calculated is set out as Appendix 2.

## Appendix 1

### Summary of Corporate Fraud Performance 2019/20

Area of Result	Number	Value (£)	Caution	Ad-pen	Prosecution	£70 penalty	Warning Letter
Council Tax Reduction Overpayments	4	7,746.02					
Council Tax Reduction Future Savings	4	4,161.04	N/A	N/A	N/A	N/A	N/A
Housing Benefit Overpayments	7	38,841.89					
Housing Benefit Future Savings	7	38,576.72	N/A	N/A	N/A	N/A	N/A
Discretionary Housing Payment Overpayment	0	0					
Council Tax Discount Removed	9	7,833.06				1	
Council Tax Discount Future Increase	9	3,340.84	N/A	N/A	N/A	N/A	N/A
NNDR Increased Income	0	0					
NNDR Future Income	0	0	N/A	N/A	N/A	N/A	N/A
Social Housing Properties Recovered	0	0	N/A	N/A	N/A	N/A	N/A
Housing Applications Cancelled	1	4,600.00					
Right To Buy Cancelled	2	165,600.00					
Totals: Cash and Non-Cash		£270,699.57				£70	
Totals: Cash Only		£224,620.97				£70	

**Key:** Cash Savings are **yellow-highlighted**. Other savings are predictions and therefore non-cash.

**NB** To comply with SCULPT requirements, key points from this table are discussed in the covering report.

### **Explanation of the types of savings together, in the case of non-cash savings, with an explanation of how they have been calculated**

#### **Council Tax Reduction (CTR) Overpayments**

These overpayments of CTR have resulted from an investigation and deemed recoverable unless the claimant could show the overpayment was caused by official error and they could not reasonably have known they were being overpaid. Council Tax is a daily charge and therefore the overpayment figures reflect this.

#### **Council Tax Reduction Future Savings**

The future savings are based upon a 104-week multiplier of savings identified. This is the average amount of time that a customer takes to notify the authority of a change to their circumstances.

#### **Housing Benefit (HB) Overpayments**

HB Overpayments are overpaid amounts of Benefit that have been paid (whether to the claimant their landlord or someone else) and to which the claimant was not entitled. These overpayments are calculated weekly by the Benefits team.

#### **Housing Benefit Future Savings**

The future savings are based upon a 104-week multiplier of savings identified. This is determined to be the average amount of time that a customer takes to notify a local authority of a change to their circumstances.

#### **Discretionary Housing Payment (DHP)**

This is a discretionary scheme where the local authority can provide extra money to help a claimant meet their housing costs; examples include help with a rent shortfall, rent deposits and rent in advance. The local authority looks at how much they can pay and for how long the customer can receive the payment. DHPs are only for extra help towards Housing Costs and are not for help with Council Tax. Thus, when investigating a Housing Benefit fraud, if it is discovered that the customer has had this extra help towards their housing costs (i.e. received DHP) we would seek to recover it. However, it is not covered in the same legislation as HB or CTR overpayments and therefore cannot be included as part of any sanction.

#### **Council Tax Discount**

Claimants may qualify for a Council Tax reduction if they are living on their own or with students, or providing care for, or living with, people with special circumstances. The main discount the Fraud team deals with is Single Person

Discount (SPD) which is a 25% reduction when there is one adult occupant in the property.

### **Council Tax Discount Future Increase**

The future savings are based upon a 104-week multiplier of savings identified. This is determined as the average amount of time that a customer takes to notify the authority of a change to their circumstances.

### **Social Housing Properties Recovered**

Social Housing is more affordable than private renting and usually provides a more secure long-term tenancy. These properties are owned by the local authority or Housing Associations and are, in the first instance, for homeless people, people in cramped conditions or people that have medical conditions made worse by their current home. If people are not living in their Social Housing property as their main and principal home or are illegally subletting then the landlord can recover the property and re-allocate it to somebody else on the waiting list. The cost of recovering a property is calculated currently at £18K.

### **Housing Applications Cancelled**

Customers apply for Social Housing by completing a form declaring their circumstances. If they have lied on the form or have not provided their true circumstances then their application is stopped. The cost attributed to each application is £4,600, which is derived from the average cost of temporary accommodation for each family that is housed.

### **Right to Buy (RTB) Cancelled**

RTB is a government scheme designed to help tenants in council housing to buy their homes with, very often, a very large discount. Tenants get 35% discount if they have been a tenant for 3-5 years; after 5 years the discount goes up by 1% for every year they have been a tenant, up to a maximum of 70% or £84,200, whichever is the lower figure.

Finance and Audit Scrutiny Committee  
30 September 2020

**Title: Statement of Accounts and Audit Findings Report**

**Lead Officer: Mike Snow/Andrew Rollins**

**Portfolio Holder: Richard Hales**

**Public report**

**Wards of the District directly affected: N/A**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: N/A

Equality Impact Assessment Undertaken: N/A

Consultation & Community Engagement: N/A

Final Decision: Yes

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	25/09/2020	Chris Elliott
Head of Service	25/09/2020	Mike Snow
CMT	25/09/2020	
Section 151 Officer	25/09/2020	Mike Snow
Monitoring Officer	25/09/2020	Andrew Jones
Finance	25/09/2020	Andrew Rollins
Portfolio Holder(s)	25/09/2020	Richard Hales

## 1. Summary

- 1.1 This report presents the 2019/20 Audited Statement of Accounts to be **agreed by the Committee. The External Auditor's Audit Findings Report is presented.**

## 2. Recommendation

2.1. It is recommended that the Committee: -

- a) Notes the 2019/20 Audit Findings Report.
- b) Approves the letter of representation on behalf of the Council.
- c) Approves the 2019/20 Audited Statement of Accounts, with the changes having been made.
- d) Agrees that authority be delegated to the Chairman of Finance and Audit Scrutiny to agree any final changes to the accounts if required from the final work of the external auditors.

## 3. Reasons for the Recommendation

- 3.1 The draft 2019/20 Statement of Accounts were published on the 18 June. As previously reported, due to the Covid crisis, the statutory deadline for this in the current year has moved in the current year from 31 May to 31 August. The accounts have subsequently been subject to audit by Grant Thornton, **the Council's external auditors. The date for the audited accounts to be signed off has been shifted from 31 July to 30 November.**
- 3.2 Members will note from the Audit Findings Report from Grant Thornton, that the audit of the accounts has gone well in the circumstances. The report does explain how there have been some problems in carrying out some elements of the audit using remote working. However, despite this, the Accountants and Auditors have worked together to complete the audit.
- 3.3 There has been one significant adjustment to the draft accounts. This relates to Assets under Construction being revalued before being brought into use, rather than at historic cost as per the Accounting Code. This does impact on the Comprehensive Income and Expenditure Statement (decreases expenditure) and Balance Sheet (increases asset value). It does not impact upon the **Council's usable financial resources.**
- 3.4 There have been some minor changes to the accounts, agreed with Grant Thornton, these mostly being presentational. More details of these can be found within Appendix C of the Grant Thornton Report.
- 3.5 These are two misstatements within the accounts for which it is proposed not to adjust the accounts. These are: -

- **Property Plant and Equipment (PP&E).**

The value of PP&E per the financial statements is £501,725k. The value of assets per the underlying asset register is £501,775k, a difference of £50k. Given the value of the total assets within the balance sheet is over £0.5bn,

this difference is not deemed significant for the purpose of the accounts. Officers will ensure this difference is investigated and corrected for the 2020/21 Accounts.

- **Net Pension Liability**

The Council has received a revised pension report from the actuaries to reflect the actual return on plan assets for the year to 31 March 2020. The impact of this would be a revised estimated net pension liability of £40.476m, a reduction in the liability of £415k. As the estimated pensions liabilities are expected to arise over a significant timescale (c20 years), and will be recovered with future pension contributions, it has been agreed not to adjust for these later figures.

- 3.6 Further to the completion of the draft accounts, the Accountants has established that £281,400 earmarked reserves were wrongly charged to the General Fund instead of the Housing Revenue Account. This has been adjusted for within the final Statements here, in agreement with the auditors. This, in conjunction with some other minor adjustments, does mean that the General Fund has an additional £316,000 resources; consideration of the use of this will be addressed within a future Budget report. For the Housing Revenue Account, this change, in conjunction with some other minor adjustments, means the contribution to the HRA Capital Investment Reserve has reduced from £4.090m to £3.762m.
- 3.7 The audit of the accounts is now virtually complete, with the Audit Findings Report from the external auditors having been issued (attached). Consequently, Members are asked to approve both the letter of representation (attached) and the Audited Statement of Accounts.
- 3.8 Unfortunately, the Grant Thornton will not be able to issue their final audit Statement and so sign off the Accounts until the Warwickshire County Council Accounts have been signed off. This is because of the District Council accounts being reliant on the pensions fund figures within the WCC Accounts. The WCC accounts are expected to be signed off during October.
- 3.9 Should the final work by Grant Thornton require any further changes to the **Council's Statement of Accounts, it is recommended that these are agreed by** the Chairman of the Finance and Audit Scrutiny Committee.
- 3.10 A review of the closedown and production of the 2019/20 Accounts is due to commence on 19<sup>th</sup> October. This will focus on some of the areas that presented a significant challenge as a result of the move to remote working, and also seek to address the issues outlined in the Audit Findings Report.
- 3.11 Having the audited accounts signed off well ahead of the November deadline in the current environment is a major achievement. This has entailed hard work by the Accountancy Team and from officers across the Council, and also from the external auditors. The close working from all involved has been important in enabling the Council to get to this position. It is understood that the Council is in a far better position here than many local authorities.



## **4. Policy Framework**

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

4.1.1. The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

4.1.2. The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The detail below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

### **4.2. FFF Strands**

#### **4.2.1 External impacts of proposal(s)**

**People - Health, Homes, Communities**

**Services - Green, Clean, Safe**

**Money- Infrastructure, Enterprise, Employment**

The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.

#### **4.2.2. Internal impacts of the proposal(s)**

**People - Effective Staff**

**Services - Maintain or Improve Services**

**Money - Firm Financial Footing over the Longer Term**

The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.

### **4.3 Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies. The 2019/20 Accounts are consistent with the relevant supporting strategies.

### **4.4 Changes to Existing Policies**

No proposed changes to existing policies are proposed.

### **4.5 Impact Assessments**

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

**5. Budgetary Framework**

- 5.1 The original cost of the audit was agreed at £41,290, as part of the appointment made following tenders managed by Public Sector Audit Appointment (PSAA). A further £7,500 was agreed by PSAA, as for 2018/19, in respect of additional in respect of pensions and work required by the Financial Reporting Council.
- 5.2 As detailed in the report to Finance and Audit Scrutiny Committee and within **the Auditors' report here, additional time spent on this audit may need to be** subject to an additional fee. Again, this would need to be agreed by PSAA.

**6. Risks**

- 6.1 The closure of the Accounts continues to be a key project across the Council. This has had detailed action plans, and a Risk Register that has also been reported.
- 6.2 The Risk Register will be reviewed and updated ahead of the 2020/21 closure.

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

- 7.1 No alternative options are presented for consideration.



# The Audit Findings for Warwick District Council

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Year ended 31 March 2020

September 2020



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

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

## Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. This has included front line challenges such as the administration of grants to businesses, closure of car parks and leisure centres with additional challenges of reopening services under new government guidelines.

There have also been back office challenges for example the move to remote working for staff and reallocation of staff across departments to support service delivery..

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.

The Council published its draft financial statements on its website on 22 June 2020. A version of the financial statements were made available on 18 June 2020 to enable the audit team to start the audit.

The Covid-19 pandemic occurred prior to the start of the year end audit of the financial statements. In response to this a plan addendum was presented to the Finance and Audit Scrutiny Committee (virtual meeting ) on 27 May 2020 which reported a financial statement level risk in respect of Covid - 19 and highlighted the impact on our VfM approach.

Following the government's announcement on Monday 23 March 2020, we closed our Grant Thornton offices and your audit team have been working from home since this date. Although there are some audit tasks which are best undertaken in person, we have been able to carry out appropriate audit procedures remotely. Restrictions for non-essential travel has meant both Council and audit teams have had to adapt to a new way of working , for example; remote accessing financial systems via screen sharing , video calling, physical verification of assets and additional procedures to validate the completeness and accuracy of information produced by the entity (IPE).

Due to remote working and methods of reviewing source reports (for example screensharing) certain audit procedures have taken longer than prior years. We would like to extend our thanks to the Finance team for their continued support during a time where they are facing additional pressures to support the local community the council serves, for example the payment of business rate grants. We continue to work closely with your finance team to make this different way of working as efficient as possible for the remainder of the 2019/20 audit but also consider how we can all take the positive experiences from this period of remote working and integrate into our working arrangements going forward.

There is only one significant impact on the financial statements in relation to Covid-19. This relates to the valuation of land and property. We will be including an Emphasis of Matter paragraph, highlighted PP&E valuation material uncertainties which is the basis upon which the Council's valuers have provided their valuations. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Council's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.

We discuss this further on page 11.

# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:

- give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during June – August. Our findings are summarised on pages 6 to 18. We have identified 1 adjustment to the financial statements that has resulted in a £638k adjustment to the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

### Financial accounts and supporting systems

The 2019/20 final accounts audit began on 15 June 2020 and as stated above our work has been completed remotely in light of the Covid-19 pandemic. Upon review of the draft financial statements a number of small amendments were identified by the Finance team which were corrected prior to the audit team receiving the financial statements on 18 June 2020.

Remote working has highlighted the complexity of the Council's underlying financial systems. It has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. Certain reports have also taken longer to obtain in an appropriate format than would be expected, for example Journal, debtor and creditor reports. We estimate that combined with the impact of remote working this has extended the core final accounts audit process by 2 weeks plus additional review procedures by the Audit Manager and Engagement Lead.

The finance team are aware of the limitations with the current finance system and have recently been through a detailed procurement process to identify a replacement finance package. We understand the Council has now made a decision in relation to the new finance system which is due for implementation in 2020/21.

Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the material uncertainty regarding the valuation of land and buildings (PP&E) due to Covid-19 (page 11).

Our work is substantially complete, subject to satisfactory resolution of the following outstanding matters we anticipate issuing an unqualified opinion:

- Final review procedures to be completed by Audit Manager and Engagement Lead
- Receipt of responses to outstanding requests with the Finance team in order to complete audit testing (requests are on Inflo and include working papers to support provisions, MIRS consistency check, response to our initial review of the Financial Statements)
- Receipt of outstanding queries in relation to our sample testing and questions raised with the Council's actuary
- Receipt of assurances from the Warwickshire County Pension Fund auditor in respect of information provided to the actuary
- Receipt of management representation letter
- Receipt and review of the final set of financial statements
- Completion of our work on the Whole of Government Accounts
- Completion of our work on Subsequent events

We are expecting to conclude that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<b>Value for Money arrangements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Warwick District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks specifically in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 19 to 22.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• To certify the closure of the audit.</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

# Audit approach

## Overview of the scope of our audit

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

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

## Audit approach

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

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

We have not had to alter our audit plan, as communicated to you on 27 May 2020.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved as noted on page 4 we anticipate issuing an unqualified audit opinion including an Emphasis of Matter - this details a material uncertainty regarding the valuation of land and buildings due to COVID – 19.

Our proposed audit opinion is included in appendix E.

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

**Subject to satisfactory conclusion of the outstanding matters listed above our anticipated audit report opinion will be unmodified including an Emphasis of Matter - this details a material uncertainty regarding the valuation of land and buildings due to COVID – 19.**



# Audit approach

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality levels remain the same as reported in our audit plan on 27 May 2020.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1,200,000	We determined materiality for the audit of the Council's financial statements as a whole to be £1,200,000, which equates to approximately 1.4% of the Council's gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	£840,000	<p>We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors:</p> <ul style="list-style-type: none"> <li>• We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment.</li> <li>• There has not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Council.</li> <li>• Senior management and key reporting personnel in the finance function has remained stable from the prior year audit.</li> </ul>
Trivial matters	£60,000	We determined the threshold at which we will communicate misstatements to the Finance and Audit Scrutiny Committee to be £60k.
Materiality for specific transactions, balances or disclosures	£25,000	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

# Significant audit risks

## Risks identified in our Audit Plan

### Covid – 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our audit approach
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivables balances;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

There is only one significant impact on the financial statements in relation to Covid-19. This relates to the valuation of land and property. We will be including an Emphasis of Matter paragraph, highlighted PP&E valuation material uncertainties which is the basis upon which the Council's valuers have provided their valuations. The Council will need to reflect this uncertainty in its accounts and we will refer to these material valuation uncertainties in our audit report (see page 11)

### The revenue cycle includes fraudulent transactions – rebutted

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

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

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

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

Therefore, we do not consider this to be a significant risk for Warwick District Council. Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.

# Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"><li>• evaluated the design effectiveness of management controls over journals</li><li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals</li><li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li><li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li><li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> <p>Our audit work at the Council has not identified any issues in respect of management override of controls.</p> <p>For an in depth consideration of the Council's estimates please see pages 13 and 14.</p>

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of Property, Plant and Equipment (PP&E)

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the balance involved (£502m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

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

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

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

### Findings

It is acknowledged the Council has made progress this year in relation to its PP&E revaluation process and improved quality control procedures to ensure valuations have been carried out as per instructions to the valuer. It is however possible to improve this process further and, in particular, eliminate duplication of effort in the valuation process.

### 20% rolling programme of valuation

- 20% of assets identified as General Fund assets are subject to revaluation at 1 April 2019 as part of the rolling programme of valuations. We have confirmed these values have been updated appropriately within the financial statements and that the assets revalued are in accordance with instructions submitted to the valuer, Carter Jonas and the rolling programme of valuations. The financial statements are produced as at 31 March, by valuing at 1 April the Council needs to demonstrate the valuations have not moved significantly in 12 months. The Council should review its rolling programme and complete this valuation either at the year end or 28 February, in line with other assets, to reduce the risk of material movements.
- 26 assets were revalued at 1 April 2019 as part of the 20% rolling programme. 10 of these assets are investment properties which are revalued annually in accordance with accounting standards. The 10 investment properties included within the 20% rolling programme have been subject to revaluation at both 1 April 2019 and at 28 February 2020. This is duplication of effort. Investment properties are revalued annually as per accounting standards and as such should not be included in the rolling programme of valuation.

### 80% sample of assets

As at 28 February 2020 the Council instructed Carter Jonas to revalue a sample of assets which had not been subject to revaluation as part of the 20% rolling programme. This sample includes high value assets in particular and provides assurance that values included within the financial statements remain appropriate. 41 assets were revalued with a total value per the valuers report of £44.885m. These assets are included in the asset register at a value of £44.924m (a difference of £39k)

The Council has not updated the asset register for asset valuations carried out at 28 February 2020 on the basis that the £39k movement is trivial. Although we are satisfied the overall movement in assets is trivial there are both upward and downward movements on individual assets which are not trivial. As such this will impact on, for example, depreciation calculations depending on the assets useful life. Although we are satisfied assets are not materially misstated the Council should ensure its underlying asset registers reflect the latest valuation information provided by management's expert, Carter Jonas.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of Property, Plant and Equipment (PP&E)

#### Disclosures regarding material valuation uncertainty

The Council's valuers have included in their valuation report update a material uncertainty with regard to the valuation of assets. This uncertainty has arisen due to the unpredictability of the building and property market.

The Council has disclosed this issue in Note 5 'Events after the reporting period' to its financial statements. We do not however consider this disclosure is sufficiently detailed to meet the requirements of the accounting standards and amendments to the disclosure have been recommended to the Council. A detailed commentary on the amendment is included on page 30. In summary, the recommended amendments are:

- Move the disclosure to Note 4 'Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty'
- Explicitly state that the valuer has included a material valuation uncertainty regarding asset valuations
- Provide a sensitivity analysis to enable users of the financial statements to understand the impact of potential changes to asset valuations

We will be including an Emphasis of Matter 'effects of Covid-19 on the valuation of land and buildings' within our auditor's report. Our opinion is not modified in respect of this matter.

#### Other points

The value of PP&E per Note 13 of the draft financial statements is £501,725k. The value of assets per the underlying asset register is £501,775k, a difference of £50k. The financial statements are not supported by a fully reconciled asset register.

We have noted that post 31 March 2020 the Council has made the decision not to use the 4th floor of Riverside House. We are satisfied that this does not have an impact on the valuation of Riverside House as at 31 March 2020.

#### Conclusion

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





# Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
<b>Valuation of pension fund net liability</b>	<b>Auditor commentary</b>
<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> </ul>
<p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£40.891m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p><b>Findings</b></p> <p>No issues have been identified at present however, our work in this area is not yet complete.</p> <p>We are currently waiting for assurances from the Pension Fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We are also waiting for some responses from the Council and Actuary in respect or challenge questions we have raised..</p> <p>The Council has also received an updated IAS19 report which is based on the actual return on scheme assets rather than an estimate. The impact of this would be a reduction in the Council's net pension liability of £415k. The Council has not adjusted this within the financial statements and as such this is included as an unadjusted misstatement within Appendix C.</p> <p>The Council's actuary has reported a net defined liability comprising significant "experience" items of £26.8m. These are material and therefore we are investigating, through liaison with the actuary (via the pension fund) the breakdown of this amount to determine that items included are appropriate.</p> <p>At the time of writing this report there are two items that may result in further audit queries:</p> <ul style="list-style-type: none"> <li>• MHCLG is consulting on a remedy for the McCloud judgment that we reported upon last year. The Council's actuary has made assumptions in respect of the liability prior to the proposed remedy. The expectation is that these assumptions are likely to have produced figures for the liability that are greater than those proposed under the remedy.</li> <li>• the impact of the Goodwin judgement (inequality within the Teachers Pension Scheme where male survivors of female scheme members received lower survivor benefit than a comparable same-sex survivor) and the government's commitment that the difference in treatment will also need to be remedied in other public service pension schemes (<a href="https://questions-statements.parliament.uk/written-statements/detail/2020-07-20/HCWS397">https://questions-statements.parliament.uk/written-statements/detail/2020-07-20/HCWS397</a>).</li> </ul> <p>The impact of the above on the LGPS is being considered by the NAO and their auditor expert PWC. The expectation is that both are unlikely to be material but this may result in further audit queries.</p> <p>As well as the outstanding issues above, we have requested assistance from the pension fund auditor to help with our review and pending receipt of this information we cannot conclude upon our work in this area.</p>



# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment										
Provisions - NNDR appeals - £5.120m (£2.300m short-term, £2.820m long-term)	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	<p>We have:</p> <ul style="list-style-type: none"><li>Reviewed the appropriateness of the underlying information used to determine the estimate</li><li>Considered the reasonableness of increase/decrease in estimate</li><li>Confirmed the adequacy of disclosure of estimate in the financial statements</li></ul> <p>We have identified a misclassification issue within the provisions note. This is a presentation adjustment only and does not affect the stated balance. This has been adjusted in the financial statements and is included in Appendix C.</p> <p>We are satisfied that the overall provision is not materially misstated.</p>	<div></div> <p>Green</p>										
Land and Buildings – Council Housing - £387.206m	<p>The Council owns 5,477 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council's last full valuation of council dwellings was from as at 28 February 2020. The year end valuation of Council Housing was £402.119m, a net increase of £14.913m from 2018/19 (£387.206m). This is made up of:</p> <table><tr><td>➤ Asset additions</td><td>£14.934m</td></tr><tr><td>➤ Asset disposals</td><td>(£1.946m)</td></tr><tr><td>➤ Asset reclassifications</td><td>£0.220m</td></tr><tr><td>➤ Revaluation Increases</td><td>£1.705m</td></tr><tr><td>➤ TOTAL</td><td>£14.913m</td></tr></table>	➤ Asset additions	£14.934m	➤ Asset disposals	(£1.946m)	➤ Asset reclassifications	£0.220m	➤ Revaluation Increases	£1.705m	➤ TOTAL	£14.913m	<p>We have:</p> <ul style="list-style-type: none"><li>Assessed management's expert,</li><li>Reviewed the completeness and accuracy of the underlying information used to determine the estimate</li><li>Assessed the impact of any changes to valuation method</li><li>Considered the reasonableness of the increase in estimate</li><li>Considered where the disclosures relating to the estimate are appropriate in the financial statements</li></ul> <p>The valuation of Council Dwellings was completed as at 28 February 2020. We consider it is unlikely that the value of these properties would materially change to 31 March 2020 and we have satisfied ourselves in respect of the assumptions used by management's expert. We are therefore satisfied that the valuation as at 31st March 2020 is not materially misstated.</p>	<div></div> <p>Green</p>
➤ Asset additions	£14.934m												
➤ Asset disposals	(£1.946m)												
➤ Asset reclassifications	£0.220m												
➤ Revaluation Increases	£1.705m												
➤ TOTAL	£14.913m												





## Assessment

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

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings – Other (OLB) - £81.278m</b>	<p>Other land and buildings comprises specialised assets of £35.3m which include assets such as Newbold Comyn Leisure Centre, Royal Spa Centre, Pump rooms, which are required to be valued at depreciated replacement cost (DRC) at year end.</p> <p>The remainder of other land and buildings (£45.978m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged its own external valuer, Carter Jonas LLP, to complete the valuation of properties as at 1 April 2020 on a four yearly cyclical basis.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the objectiveness and competency of management's expert</li> <li>Determined the accuracy of the underlying information used to determine the estimate</li> <li>Compared the consistency of estimate against a report from Gerald Eve setting out indices movements in the year</li> <li>tested the value of the properties by comparing a sample to enable us to assess the reasonableness of the increase in the estimate</li> <li>Reviewed the adequacy of disclosure of estimate in the financial statements</li> </ul> <p>Whilst we are satisfied there is no material misstatement in the value of Other Land and Buildings (as at 31 March 2020 – we are satisfied that one day will not materially impact upon the valuation) we did identify improvements which could be made to the revaluation process. These are included as recommendations at Appendix A.</p>	 <b>Green</b>
<b>Investment property valuation process – Note 15</b>	<p>In accordance with IFRS 13 and IAS 40 investment property should be measured at fair value at the reporting date.</p>	<ul style="list-style-type: none"> <li>Investment property per the financial statements Note 15 total £10.234m.</li> <li>In accordance with IFRS 13 and IAS 40 investment property should be measured at fair value at the reporting date through an annual revaluation.</li> <li>We are satisfied that the Investment property value included within the financial statements is not materially misstated.</li> </ul>	 <b>Green</b>

## Assessment

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



# Significant findings – key judgements and estimates

## Summary of management's policy

### Net pension liability – £40.891m

The Council's total net pension liability at 31 March 2020 per the draft accounts is £40.891m (PY £48.466m).

The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from the Local Government Pension Scheme in which it participates, (which is the Warwickshire Pension Fund, administered by Warwickshire County Council).

A full actuarial valuation is required every three years. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

The 31st March 2019 formal valuations for English and Welsh LGPS Funds were concluded by 31st March 2020, as such the Council's Balance Sheet position as at 31 March 2020 is based on this new roll forward from the 2019 formal valuation. This differs to the balance sheet position as at 31 March 2019 and the charge to the P&L for 2019/20, which were based on a roll forward from the 2016 formal valuation. This change has led to sizeable asset and liability 'remeasurement experience' items in the reconciliation of the balance sheet from 31 March 2019 to 31 March 2020.

The Council has received a revised IAS19 report from Hymans Robertson to reflect the actual return on plan assets for the year to 31 March 2020. The impact of this would be a revised net pension liability of £40.476m, a reduction in the liability of £415k. The Council has not adjusted for this on the basis of materiality. See Appendix C.






## Audit Comments

PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS).

They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2020.

## Assessment





  
Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.3%	2.3%	
Pension increase rate	1.9%	1.85% - 1.95%	
Salary growth	2.3%	Employer specific	
Life expectancy – Males currently aged 45 / 65	22.1	21.6 – 23.3	
Life expectancy – Females currently aged 45 / 65	25	24.6 – 26.3	

We have also reviewed the:

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

### Assessment

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

# Significant findings - Going concern

## Our responsibility

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

## Going concern commentary

### Management's assessment process

### Auditor commentary

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

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

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

### Work performed

### Auditor commentary

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

- We are satisfied from our review of the Council's reserves balance that it has sufficiency of usable reserves (e general fund and earmarked reserves) to support its finances should its savings plans not be delivered, but clearly reserves can only be used once.
- The Council is rightly concerned that there are a number of unknowns in its funding, especially with regard to the Business Rates Reset. However, in and of itself, this is not considered to cast significant doubt on the Council's ability to continue as a going concern.
- The Council has reviewed its Medium Term Financial Plan (MTFP) in light of Covid 19– we are aware that this is a situation which is changing as funding announcements are being made however we are satisfied that the Council has updated its MTFP with known developments and communicated the effects of this to Those Charged With Governance (TCWG).

### Concluding comments

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

# Other matters for communication

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

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council, which is appended.</li> </ul>
<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to those organisations with which is banks, invests and borrows from. This permission was granted.</li> <li>We have identified no issues from the work performed to date.</li> </ul>
<b>Disclosures</b>	<ul style="list-style-type: none"> <li>We have requested enhanced disclosures in respect of the material uncertainties on PP&amp;E valuations (see page 30). There were no other significant disclosure omissions or amendments made to the draft 2019-20 draft financial statements as a result of audit procedures.</li> </ul>
<b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management were provided as requested. We commend the Council on the overall standard of workpapers provided for audit and the timelines of responses to our audit request</li> <li>However, remote working has highlighted the complexity of the Council's underlying financial systems. It has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. Certain reports have also taken longer to obtain in an appropriate format than would be expected, for example Journal, debtor and creditor reports. We estimate that combined with the impact of remote working this has extended the core final accounts audit process by 2 weeks plus additional review procedures by the Audit Manager and Engagement Lead. The finance team are aware of the limitations with the current finance system and have recently been through a detailed procurement process to identify a replacement finance package. We understand the Council has now made a decision in relation to the new finance system which is due for implementation in 2020/21.</li> </ul>

# Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold</p>
<b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2019/20 audit of Warwick District Council in the audit report, as detailed in Appendix E.</p>

# Value for Money

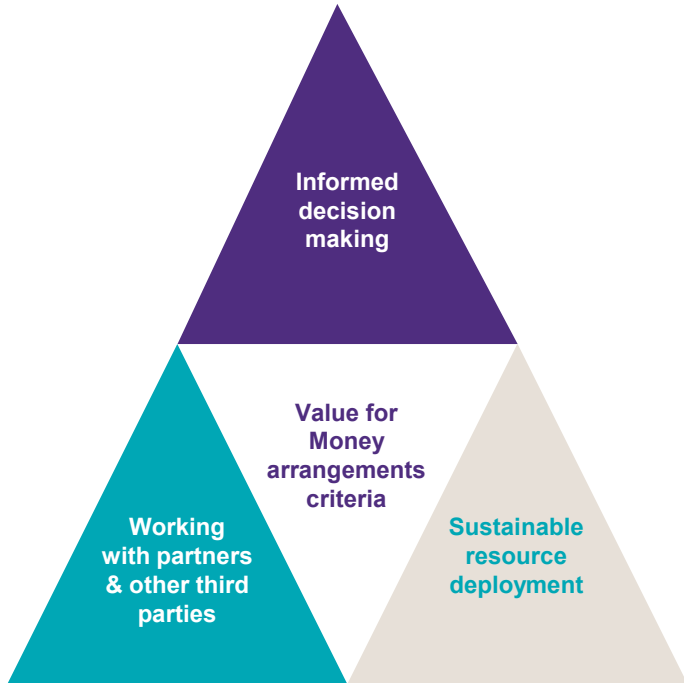
## Background to our VFM approach

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

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

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

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



## Risk assessment

We carried out an initial risk assessment in February 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan presented to Finance and Audit Scrutiny Committee on 27 May 2020.

We have:

- updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to the Covid-19 pandemic.
- continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.
- carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness. We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's outturn as at 31 March 2020
- The Council's Budget Plans up to 2024/25
- The Council's consideration to extend its Waste Management contract with Suez.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 22.

## Recommendations for improvement

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

## Significant difficulties in undertaking our work

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

## Significant matters discussed with management

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

## Overall conclusion

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

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

# Value for Money

## Key findings

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

## Significant risk

### Financial sustainability

When Members approved the 2019/20 Budget in February 2019, the Medium term Financial Strategy showed that that the Council would be in deficit by £574,000 by 2023/24.

A number of changes have been made to the MTFS, largely resulting from re-profiling of savings. The Council's MTFS as reported to members in February 2020 is now showing a projected increase in the recurring deficit of £1.868m by 2023/24. In the short term it is proposed to use the Business Rate Retention Volatility Reserve (BRRVR) to help smooth the savings needed to be secured.

This will eliminate the projected deficits in 2020/21 and 2021/22 and has enabled the Council to agree a balanced Budget for 2020/21. However, recurrent savings of £522k will be required in 2022/23 and additional recurrent savings of £1,346k in 2023/24.

The Council acknowledged that by using the BRRVR it has effectively bought itself some time to get new initiatives in place but that it now needs to develop strategies for balancing its budget over the medium to long term to create a sustainable platform to deliver services.

Given the in-year challenges and those anticipated looking forward we have identified a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

## Findings

In light of Covid-19 we have carried out a review of the updated financial information being produced by the council. Covid-19 has had a significant impact on all sectors. In particular Council's have faced challenges in relation to lost income, examples include parking and leisure income.

The Council's Medium term Financial Strategy (MTFS) was reported to members in February 2020 as part of the 2020/21 Budget setting process. At that stage the profile of savings to be found was as follows:-

2020/21 – £0

2021/22 – £0

2022/23 - £522k

2023/24 - £1,868k

2024/25 - £1,762k

This profile of savings from 2020/21 to 2024/25 includes a net contribution of £6,245m from the Business Rates Volatility reserve to support the General Fund.. Due to the Covid19 pandemic the MTFS presented to members in February 2020 was outdated before the financial year had begun. As such, updates of the MTFS have been reported to Cabinet in June and August 2020 in order to forecast the impact of lost income, additional cost pressures but also government funding received in relation to the pandemic. A summary of the savings required at each update compared to the February 2020 MTFS is summarised below:

Financial year	Savigs required per February 2020 MTFP	Savings required - Updated June 2020	Savings required- Updated August 2020
	000's	000's	000's
2020/2021	0	3,503	0
2021/2022	0	3,515	3,190
2022/2023	522	2,581	6,139
2023/2024	1,868	4,044	5,701
2024/2025	1,762	3,943	5,335
<b>TOTAL</b>	<b>4,152</b>	<b>17,586</b>	<b>20,365</b>

# Value for Money (continued)

## Findings (continued)

The latest MTFS update in August 2020 presents a balanced position for 2020/21. This accounts for known budget pressures such as the waste management contract (see below) and Covid 19 funding from the Government. The use of the Business Rate Retention Volatility Reserve (BRRVR) has been brought forward to 2020/21 in order to offset the budget pressures and show a balanced position for 2020/21.

£3.2m of savings need to be secured to enable the Council to be able to set a balanced budget for 2021/22 and not draw further than planned upon reserves. As part of the August 2020 update a schedule of proposed projects and savings has been developed which should assist the Council to reduce, although not eradicate, the budget deficit. This totals £4.115m per annum, £1m of which relates to the introduction of an annual fee to collect green bin waste. The savings plans identified will need to be progressed as a matter of urgency, along with the agreement of further projects and initiatives, to close the budget gap.

### Usable reserves

Each year the Council reviews the level of reserves and balances it holds as part of setting the budget, as in previous years the s151 officer concluded that there were sufficient levels of reserves. A review of balances as at the end of the period confirms that the Council's total usable reserves have decreased by £5m from £71m to £66m. Of these reserves, £22.774m relates to the General Fund Revenue balance. This would be sufficient to cover the budget shortfalls to 2024/2025 however it should be noted that reserves can only be used once and the development of recurrent savings plans should be a priority for the Council.

### Outturn position 2019/20

Historically, the Council has a strong track record of delivering against its financial objectives, and this continues to be the case for 2019/20 with a favourable variance of £782k on the General Fund (GF) budget and £48k on the Housing Revenue Account (HRA) being reported to the Executive on 13 July 2020. The main variances were summarised in the 13 July 2020 report to the Executive. Overall, the main variances are £1.497m of favourable variances and £715k adverse.

For 2019/20 the Council has seen slippage in its capital programme of £25.941m on a budgeted programme of £54.322m. This is largely due to delays in delivering agreed programmed works and projects commencing late. The budget to be carried forward to 2020/21 for these specific planned works total £24.716m on the Housing Investment Programme.

### Waste management contract

As part of our review of the Council's MTFS we have considered the Council's decision to extend its existing waste management contract. This extension is for an 18 months (with the option to extend for a further year). We did not identify this as a significant risk however it does represent a significant recurrent cost increase above that forecast in the Council's MTFS.

The Council's waste contract with Suez expires on 1 April 2021. The current annual cost of the waste contract is £2.4m. It was budgeted that this cost would increase to £3.6m from 2021 however the retendering exercise identified that this budgeted cost had been underestimated and the annual cost would be in the region of £5.6m, £2m (per annum) over the budgeted amount included in the February 2020 MTFS.

Officers have worked closely with a Leader established Councillor Working Party to determine the next steps following the early results of the tender process. Prior to Councillors making any decision, a contract extension quote from Suez was requested as a contingency should the procurement process be hampered by the pandemic. Suez had provided a quote of £5.5 which was £1.8m greater than in the Council's indicative budget for 2021/22. It was concluded not to continue with the current procurement process and officers were asked to request a contract extension of 18 months (with the option of a further year) from the current service provider Suez.

We have discussed the contract extension with relevant officers of the Council and reviewed relevant reports to support the decision. We have also sought assurance that appropriate legal advice was taken by the council throughout this contract negotiation period and prior to offering the 18 month extension. We are satisfied that the Council has taken appropriate legal advice from Warwickshire County Council Legal Services department. We are also satisfied this contract extension will give the council the opportunity to review the previous tender exercise and where necessary make amendments to arrangements to take into account the current circumstances combined with the Council's strategic direction in relation to Climate Change and Partnership working.

## Value for Money (continued)

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### Conclusion

It is clear that the Council has responded positively to the challenge presented by Covid-19 and are adequately monitoring and assessing the current and future impacts on the Council's finances.

The financial year 2022/2023 will see perhaps the peak of the challenge. The Council's current MTFP shows a budget gap of £6.139m in setting a balanced budget for 2022/23. The Council is also likely to see further impact of the pandemic. It is therefore business critical that officers and members take immediate action to reduce this gap

Based on the work completed we have concluded that the Council has adequate arrangements in place to deliver financial sustainability.

We are satisfied that the Council has sought appropriate legal advice regarding the contract extension.

The Council should use the agreed waste management contract extension period to revisit the original tender exercise and update where. It will also give the Council the opportunity to reflect on the exercise and align with the Council's strategic direction in relation to Climate Change and Partnership working.

### Management response

The financial challenges facing the Council in being able to set a balanced budget on a sustained basis is recognised as the key challenge for the Council. This is actively being considered by officers and members, with an update on how the required savings can be achieved to be considered by Executive on 10 December 2020.

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# Independence and ethics

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D



## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 15 September 2020, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.




Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	2,300	<p>Self-Interest (because this is a recurring fee)</p> <p>Self review (because GT provides audit services)</p>	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,300 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>
Certification of Housing Benefit Grant Claim	14,250	<p>Self-Interest (because this is a recurring fee)</p> <p>Self review (because GT provides audit services)</p>	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,250 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>
Additional HBAP 2017/18 Module X	2,850	<p>Self-Interest (because this is potentially a recurring fee)</p> <p>Self review (because GT provides audit services)</p>	<p>Whilst a one-off we are remunerated for the work. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,850 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>

# Action plan



We have identified 6 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 <b>High</b>	<b>Delivery of savings plans</b>  The financial year 2022/2023 will see perhaps the peak of the challenge. The Council's current MTFS shows a budget gap of £6.139m in setting a balanced budget for 2022/23. The Council is also likely to see further impact of the pandemic. Based on the work completed we have concluded that the Council has adequate arrangements in place to deliver financial sustainability.	The savings plans identified need to be progressed as a matter of urgency along with the agreement of further projects and initiatives to close the budget gap.  <b>Management response</b> An update on the savings plans is due to be considered by the Executive on 10 December 2020.
 <b>High</b>	<b>Waste management contract</b>  As part of our review of the Council's MTFS we have considered the Council's decision to extend its existing waste management contract. This extension is for 18 months (with the option to extend for a further year) We have not identified this as a significant risk however it does represent a significant recurrent cost increase above forecast in the Council's MTFS.  We have discussed the contract extension with relevant officers of the Council and reviewed relevant reports to support the decision. We have also sought assurance that appropriate legal advice was taken by the council throughout this contract negotiation period and certainly prior to offering the 18 month extension. We are satisfied that the Council has taken appropriate legal advice from Warwickshire County Council Legal Services department.  We are also satisfied this contract extension will give the council the opportunity to review the previous tender exercise and where necessary make amendments to take account of current circumstances combined with the Council's strategic direction in relation to Climate Change and Partnership working.	The Council should use the agreed waste management contract extension period to revisit the original tender exercise and update where. It will also give the Council the opportunity to reflect on the exercise and align with the Council's strategic direction in relation to Climate Change and Partnership working.  <b>Management response</b> The contract extension will allow officers to revisit the waste collection specification that it takes to the market. Currently the specification requires kerbside sorting of recyclables and residual waste collection, both on a fortnightly basis, and food waste collection on a weekly basis. The extension will allow the frequencies to be revisited along with the approach to recycling i.e. should recyclables be co-mingled as opposed to kerbside sorted. There will also be an opportunity to examine whether the approach to waste disposal through a Materials Recovery Facility would be more cost effective. These considerations can be done in the context of the Council's ambition to work more closely with its neighbour Stratford District Council whilst also addressing its climate change objectives.




## Controls

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

# Action plan (continued)

Assessment	Issue and risk	Recommendations
 <b>Medium</b>	<p><b>Property, Plant and Equipment – Asset register</b></p> <p>The value of PP&amp;E per Note 13 of the draft financial statements is £501,725k. The value of assets per the underlying asset register is £501,775k, a difference of £50k. The financial statements are not supported by a fully reconciled asset register</p>	<p>The PP&amp;E register difference of £50k should be investigated and corrected for the 2020/21 financial year</p> <p><b>Management response</b></p> <p>The PP&amp;E register difference will be investigated and corrected for the 20/21 Financial Year. Looking forward, it is expected that the Asset Register will be incorporated into the new Financial Management System (due to be in place by July 2021), allowing for a more efficient and accurate reconciliation process.</p>
 <b>Medium</b>	<p><b>Property Plant and Equipment – Valuation arrangements – 20% rolling programme</b></p> <p>It is acknowledged the Council has made progress this year in relation to its PP&amp;E revaluation process and improved quality control procedures to ensure valuations have been carried out as per instructions to the valuer. It is however possible to improve this process further and in particular eliminate duplication of effort in the valuation process.</p> <p>20% of assets identified as General fund assets are subject to revaluation at 1 April 2019 as part of the rolling programme of valuations. 26 assets were revalued at 1 April 2019 as part of the 20% rolling programme. 10 of these assets are investment properties which are revalued annually in accordance with accounting standards. The 10 investment properties included within the 20% rolling programme have been subject to revaluation at both 1 April 2019 and at 28 February 2020. This is duplication of effort. Investment properties are revalued annually as per accounting standards and as such should not be included in the rolling programme of valuation.</p>	<p>The Council should review its 20% rolling programme and complete this valuation at the year end or 28 February in line with other assets rather than as at 1 April. (The Council may wish to consider the valuation date of assets given potential changes to the accounts timetable moving forward)</p> <p>The rolling programme of revaluation should be reviewed to ensure there is no duplication of valuations in relation to Investment Property.</p> <p><b>Management response</b></p> <p>As part of the discussions with valuers, the valuation dates will be reviewed to streamline the process, and to seek to reduce the amount of work required at year end. The dates on which the valuations are carried out will be agreed to best support completion in line with the 2020/21 Statement of Accounts deadlines.</p>

## Controls

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

# Action plan (continued)

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	<p><b>Property Plant and Equipment – 80% sample of assets</b></p> <p>As at 28 February 2020 the Council instructed the valuer, Carter Jonas to revalue a sample of assets which had not been subject to revaluation as part of the 20% rolling programme. This sample includes high value assets in particular and provides assurance that values included within the financial statements remain appropriate.. 41 assets were revalued with a total value per the valuers report of £44.885m. These assets are included in the asset register at a value of £44.924m (a difference of £39k).</p> <p>The council has not updated the asset register for asset valuations carried out at 28 February 2020 on the basis that the £39k movement is trivial, . Although we are satisfied the overall movement in assets is trivial there are both upward and downward movements on individual assets which are not trivial. As such this will impact on for example depreciation calculations depending on the assets useful life. Although we are satisfied assets are not materially misstated the Council should ensure its underlying asset registers reflect the latest valuation information provided by managements expert, Carter Jonas.</p>	<p>All revaluations should be updated within the Council's asset management system to ensure these reflect the most up to date valuations provided by management experts, in this case Carter Jonas.</p> <p><b>Management response</b></p> <p>The revaluations will be updated within the Council's asset management system to reflect the most up to date valuations provided by the valuers. Looking forward, it is expected that the Asset Register will be incorporated into the new Financial Management System (due to be in place by July 2021), allowing for a more efficient and accurate reconciliation process.</p>
<p>●</p> <p>Medium</p>	<p><b>Bank reconciliation</b></p> <p>As part of year end audit procedures we obtain 3<sup>rd</sup> party bank confirmations. For 2 bank accounts there were trivial differences in the reconciliations. Although these differences are trivial the reconciliation of all bank accounts is a key control and as such all bank accounts should be reconciled.</p>	<p>The reconciliation of all bank accounts is a key control and as such all bank accounts should be reconciled at appropriate intervals throughout the financial year and as part of year end close process.</p> <p><b>Management response</b></p> <p>Bank accounts will be reconciled in line with recommendations.</p>
<p>●</p> <p>Low</p>	<p><b>Financial statement quality assurance procedures</b></p> <p>Due to a mapping issue a number of material values were included in the wrong heading within Note 38, Pensions and Note 22, provisions. Overall this has no impact on the values disclosed within the primary statements, this is presentational only.</p>	<p><b>As</b> part of the year end procedures the Council should build in a final quality control review of the financial statements in order to identify mapping issues.</p> <p><b>Management response</b></p> <p>Appropriate levels of review will be built into year-end process going forward to ensure mapping issues do not reoccur.</p>

## Controls

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

# Follow up of prior year recommendations

We identified the following issues in the audit of Warwick District Council's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>As part of our testing we have reviewed the valuation reports provided by managements experts and found there to be a number of omissions and/or inconsistencies with the information provided.</p> <p>Due to the number of queries arising from this our work in relation to Property, Plant and Equipment has taken longer than anticipated.</p> <p><b>Recommendation</b></p> <p>The Council should thoroughly check valuation information provided by the valuer and ensure this is both in line with the agreed Terms of Engagement and information within the report has been scrutinised for accuracy.</p>	<p><b>Management response</b></p> <p>A meeting was arranged with the Council's valuers, Carter Jonas, with attendees from Finance and Asset Management teams present. The meeting, which took place in early September, focused on reviewing the valuation process to ensure that it resulted in timely, accurate information being received from the valuer, while also looking at efficiencies for Finance.</p> <p>It has been established in the meeting that a single date will be used going forward to get all necessary valuations completed, with the date likely to be at the end of February. This will give the valuers sufficient time to complete their work and get the information sent across before the Accountancy team's busy April period, helping to alleviate some of the capacity issues faced with the team.</p> <p><b>Audit comment</b></p> <p>This recommendation has been closed as we are satisfied that the Council has progressed in relation to PP&amp;E revaluation arrangements. We have however raised new recommendations as part of the current year audit.</p>
✓	<p><b>Property, Plant and Equipment valuations</b></p> <p>There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils.</p> <p><b>Recommendation</b></p> <p>To reduce the risk of carrying value being materially different to current value the Council should value its assets as at the balance sheet date.</p>	<p><b>Management response</b></p> <p>Following the meeting with the valuer, and agreeing to bring forward the date of the valuation report ahead of the busy April period of the process, it will give more time for both the valuer and the Accountancy team to review the information provided. This should help to eliminate some of the issues faced during the 2018/19 final accounts process, where some of the data presented in supporting working papers was derived from earlier drafts of the valuation information. Having this information earlier will enable the team to ensure this information is up to date, accurate and consistent.</p>

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

# Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Year end procedures</b></p> <p>The positive progress made by the finance team this year is evident and has resulted in a sound foundation on which to build further improvements.</p> <p>With a number potential key finance staff changes in the next 12 months it is critical that the Council focusses on its succession planning within the finance team, including robust handover processes.</p> <p><b>Recommendation</b></p> <p>The Council should focus on its succession planning within the finance team, including robust handover processes.</p>	<p><b>Management response</b></p> <p>Since the completion of the audit and the departure of the temporary resourcing, the Accountancy team has increased in size with the appointment of 2 new members of staff, a Principal Accountant (3 year fixed term contract) and an Apprentice. Both staff will be expected to support the closedown process in 2019/20, either directly through assigned tasks, or indirectly by managing some of the ongoing tasks within the department, freeing capacity for the rest of the team to prioritise final accounts while continuing to deliver support to other departments in the Council. Specifically, the Principal Accountant has been appointed to focus on the supporting the delivery of key Council projects which may have been delayed or not prioritised in the past in order to meet statutory deadlines.</p>

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

# Audit adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet (Statement of Financial Position) £' 000	Impact on total net expenditure £'000
Note 13. Assets under construction – The Council has revalued Assets under construction as at 28 February 2020.  In accordance with section 4.1.2.30 of the Code assets under construction shall be measured at depreciated historical cost.  As such a revaluation adjustment should not have been applied to Assets under Construction.	(£638k) (decrease expenditure)	£638k (increase assets)	(£638k) (decrease expenditure)
Overall impact	(£638k)	£638k	(£638k)

# Audit adjustments

## Misclassification and disclosure changes

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

Disclosure omission/change	Detail	Auditor recommendations	Adjusted?
<b>Note 5. Events after the reporting period</b>	<p><b>Disclosures regarding material valuation uncertainty</b></p> <p>The Council's valuers have included in their valuation report update a material uncertainty with regard to the valuation of assets. This uncertainty has arisen due to the unpredictability of the building and property market.</p> <p>The Council has disclosed this issue in a note 5 'Events after the reporting period' to its financial statements. We do not however consider this disclosure is sufficient and amendments to the disclosure have been recommended to the Council.</p>	<p>In summary the recommended amendments are:</p> <ul style="list-style-type: none"> <li>Move the disclosure to note 4 'Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty'</li> <li>Explicitly state that the valuer has included a material valuation uncertainty regarding asset valuations</li> <li>Provide a sensitivity analysis to enable users of the financial statements to understand the impact of potential changes to asset valuations</li> </ul> <p>We will be including an Emphasis of Matter 'effects of Covid-19 on the valuation of land and buildings' within our auditor's report. Our opinion is not modified in respect of this matter.</p>	✓
<b>Note 38. Pensions note and note 22, Provisions</b>	<p><b>Accounts mapping</b></p> <p>Due to a mapping issue a number of material values were included in the wrong heading within note 38, Pensions and note 22, provisions. Overall this has no impact on the values disclosed within the financial statements, this is presentation only</p>	<p>Accounts are amended and going forward as part of the year end procedures the council should build in a final quality control review in order to identify mapping issues.</p>	✓
<b>Minor amendments</b>	<ul style="list-style-type: none"> <li>Various</li> </ul>	<p>A small number of other minor amendments were made to correct typing errors, page numbering and incorporate additional narrative information. We do not deem these significant enough to bring to the attention of those charged with governance.</p>	✓



# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<b>Property Plant and Equipment (PP&amp;E).</b> The value of PP&E per note 13 of the draft financial statements is £501,725k. The value of assets per the underlying asset register is £501,775k, a difference of £50k. .	(£50k) (reduce expenditure)	£50k (increase assets)	(£50k)	• Immaterial
<b>Net Pension Liability</b> - The Council has received a revised IAS19 report from Hymans Robertson to reflect the actual return on plan assets for the year to 31 March 2020. The impact of this would be a revised net pension liability of £40.476m, a reduction in the liability of £415k.	(£415k) (reduce expenditure)	£415k (reduce liability)	See note below	• Immaterial
<b>Overall impact</b>	<b>(£465k)</b>	<b>£465k</b>	<b>(£50k)</b>	

NB: If adjusted, the entries would impact upon the Statement of Comprehensive Income and Expenditure, Balance Sheet and MiRS and various other accounts disclosures in relation to the pensions liability but would ultimately be reversed out to the pensions reserve under statute (Dr MIRS: Adjustments affecting Pension Reserve £415k and Cr Balance Sheet: Pension Reserve £415m). There would therefore be no impact on the General Fund or HRA reserves and council tax.

## Impact of prior year unadjusted misstatements

In 2018/19 the Council requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP indexation. The actuary's estimate was of a possible increase in pension liabilities of £1,089k. The Council determined not to amend the accounts on the basis of materiality. This has no impact upon the 2019/20 financial statements as the actuary has incorporated an estimate for these liabilities within their 2019/20 IAS 19 report.

## Appendix D

# Fees

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

Audit fees	Proposed fee	Final fee
Council Audit Scale Fee	£41,290	£41,290
PSAA approved variation	£7,500	£7,500
Remote working has highlighted the complexity of the Council's underlying financial systems. It has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. Certain reports have also taken longer to obtain in an appropriate format than would be expected, for example Journal, debtor and creditor reports. We estimate that combined with the impact of remote working this has extended the audit process by 2 weeks plus additional review procedures by the Audit Manager and Engagement lead		TBC
<b>Total audit fees (excluding VAT)</b>	<b>£48,790</b>	<b>TBC</b>

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing capital receipts grant (2018/2019 billed 2019/2020)	2,300	2,300
Certification of Housing Benefit Grant Claim (2018/2019 billed 2019/2020)	14,250	14,750
Additional HBAP 2017/18 Module X (billed in 2019/2020)	2,850	2,850
<b>Total non- audit fees (excluding VAT)</b>	<b>£19,400</b>	<b>£19,400</b>

The fees reconcile to the financial statements per note 31 'External Audit Costs' as follows:

- fees per financial statements £65k
- Certification of HCR grant billed in May 2020 £2k
- Adjustment –within accounts regarding 2017/18 (£1k)
- total fees per above (£49k +£19k) £68k

# Audit opinion

Subject to satisfactory conclusion of the outstanding matters our anticipated audit report opinion will be unmodified including an Emphasis of Matter - this details a material uncertainty regarding the valuation of land and buildings due to COVID – 19.

Audit opinion to follow

Audit opinion to follow

# Management letter of representation

Grant Thornton UK LLP

The Colmore Building

20 Colmore Circus

Birmingham

B4 6AT

XX October 2020

Dear Sirs

**Warwick District Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

# Management letter of representation

- i. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- ii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- iii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- iv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

## Information Provided

- i. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.

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

## Annual Governance Statement

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

## Narrative Report

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

# Management letter of representation

**Approval**

The approval of this letter of representation was minuted by the Council's Finance and Audit Scrutiny Committee at its meeting on X .

Yours faithfully

Name.....

Position.....

Date.....

**Signed on behalf of the Council**





Warwick District Council, Riverside House,  
Milverton Hill, Royal Leamington Spa, CV32 5HZ

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

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

**our ref:**  
**your ref:**

\_\_\_\_\_2020

Dear Sirs

**Warwick District Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

**Financial Statements**

- i. **We have fulfilled our responsibilities for the preparation of the Council's financial statements** in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.



- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the matters included in your Audit Findings Report in respect of the impact of the proposed McCloud restitution and Goodwin **judgment upon the Council's net pension liability.**

We have not adjusted the financial statements for these matters brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 3 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

- xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. **We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.**
- xvi. The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries.

As a consequence economic activity is being impacted in many sectors. As at the valuation date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

**The Council's valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.** Consequently, less certainty – and a higher degree of caution – should be **attached to the valuation of the Council's land and buildings than would normally** be the case. Given the unknown future impact that Covid-19 might have on the real estate market, the valuers recommend that the Council keeps the valuation of its properties under frequent review.

**For avoidance of doubt, the inclusion of the 'material valuation uncertainty'** declaration above does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent, that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

### Information Provided

- xvii. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

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

### **Narrative Report**

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

### **Approval**

The approval of this letter of representation was minuted by the Council's Finance & Audit Scrutiny Committee at its meeting on 30 September 2020.

Yours faithfully

.....  
 Name.....  
 Position.....  
 Date.....

.....  
 Name.....  
 Position.....  
 Date.....

**Signed on behalf of the Council**



# Statement of Accounts 2019/20

and **Annual Governance Statement**



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



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

**Mike Snow, C.P.F.A.**

Head of Finance

# Narrative Report

## Message from the Head of Finance **Mike Snow**



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

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

- Understand the overarching financial position of the Council and the financial outturn for 2019/20:
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Be assured that the financial position of the Council is sound and secure.

Further refinements to the content and production of the previous years' financial statements have been made, taking note of the Audit recommendations from 2018/19 to ensure that they continue to be understandable and comply effectively with CIPFA standards.

Legislation typically requires that an authority's draft accounts be completed by 31 May following the year end, and an audited Statement of Accounts submitted to the appropriate body for approval by 31 July. In order to aid transparency, it also requires all local authorities to have a common thirty-day public inspection period which includes the first ten working days in June. However, in light of the ongoing Coronavirus Pandemic and the challenges this has caused for all parties involved in their production, the deadlines have been extended to 31 August and 30 November respectively, with a public inspection period commencing no later than September. Warwick District Council has agreed with its auditors, Grant Thornton, to commence the public inspection period from 15 June.

The Narrative Report provides information about Warwick District, its main objectives and strategies, the principal risks that it faces as well as demonstrating how the Council has used its available resources to achieve desired outcomes from both a financial and

non-financial perspective. It also provides a summary of the financial position at 31 March 2020.

The Coronavirus pandemic impacted at the very end of the financial year following the Government's national lockdown, which commenced from 23 March. This has meant that many of the businesses and attractions within the District have been forced to close, impacting on the Council's income streams, and resulting in additional cost pressures as resources have been focussed on delivering key services throughout this period. This has not had a significant impact on the financial outturn for 2019/20, owing to the fact that behaviours were only notably affected for the last two weeks of March.

For the District Council this has entailed many of the Council's services having to close, for example leisure centres and arts facilities. The vast majority of Council staff have had to adjust to home-working whilst seeking to maintain core services.

One of the immediate effects of the pandemic is that all elections have been cancelled for a period of 12 months. This meant the planned

local referendum to seek agreement to the District Council's proposed increase in council tax for 2020/21 to fund the Climate Change Emergency was not able to take place. As a consequence of this, the Council had to re-bill all households in May 2020 for a lower level of Council Tax. The cost of re-billing has been met from the Council's reserves. As part of the consideration of the 2021/22 Budget, councillors will be agreeing whether to seek to raise council tax for Climate Change initiatives at a level which will require a referendum, if it is possible for this to be held in May 2021.

However, the true scale of its impact will be felt during 2020/21, with the Council expecting significant losses across many of its largest income streams. It is not possible to quantify the impact of COVID-19 at this stage and, while emergency Government funding has been received to mitigate some of the impact, the Council will face significant financial pressures in the immediate future. The Council will continue to revise its Medium Term Financial Strategy (MTFS) to reflect the impact of the pandemic and any changing strategic objectives. Updates will be reported to Executive and to Council on a regular basis.





# Key facts about the District

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

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

The District provides a central location with excellent road and rail transport links. There are major routes across the area including the M40 providing direct access to London and indirect links to the north-west via the M6 and M5 respectively. There are also excellent rail services to the rest of the West Midlands and London.

The District has the largest population in the county and the population density of 4.9 people per square hectare is the second highest in Warwickshire and above national/regional

averages. The population grew over the ten years from 2001 to 2011 by over 9%, a faster rate than England and Wales and the West Midlands and second only to Rugby in the county.

With a rich cultural heritage, the district is home to the popular tourist attractions of Warwick Castle and Kenilworth Castle, as well as several museums in Warwick. The Royal Pump Rooms in Royal Leamington Spa offer a rich cultural visitor experience, whilst the Royal Spa Centre runs an exciting programme of events in its 667 seat main house and 188 seat studio cinema. The district has been successful in achieving five prestigious Green Flag community awards in recognition of its outstanding green spaces. Royal Leamington Spa has also achieved a Purple Flag, acknowledging the excellent night-time management of the town centre.

Both Kenilworth and Royal Leamington Spa were recently ranked in the top five places to live in the Midlands as part of The Sunday Times' 2019 Best Places to Live in Britain list. The University of Warwick is partly in the District and we house thousands of students. The Sunday Times also ranked the District as one of the top 20 places in country to live as a student.



# Political Structure

As at 31 March 2020, Warwick District had 22 wards and the Council consisted of 44 Councillors. The political make up of the Council is shown below.



The Council has adopted the Leader and Executive model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Executive has responsibility for the allocation of Portfolios and the delegation of Executive Functions. Executive members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Executive decisions for 2019/20, including the setting of a balanced budget for 2019/20, has been undertaken by either the Finance and Audit Scrutiny Committee or Overview and Scrutiny Committee.



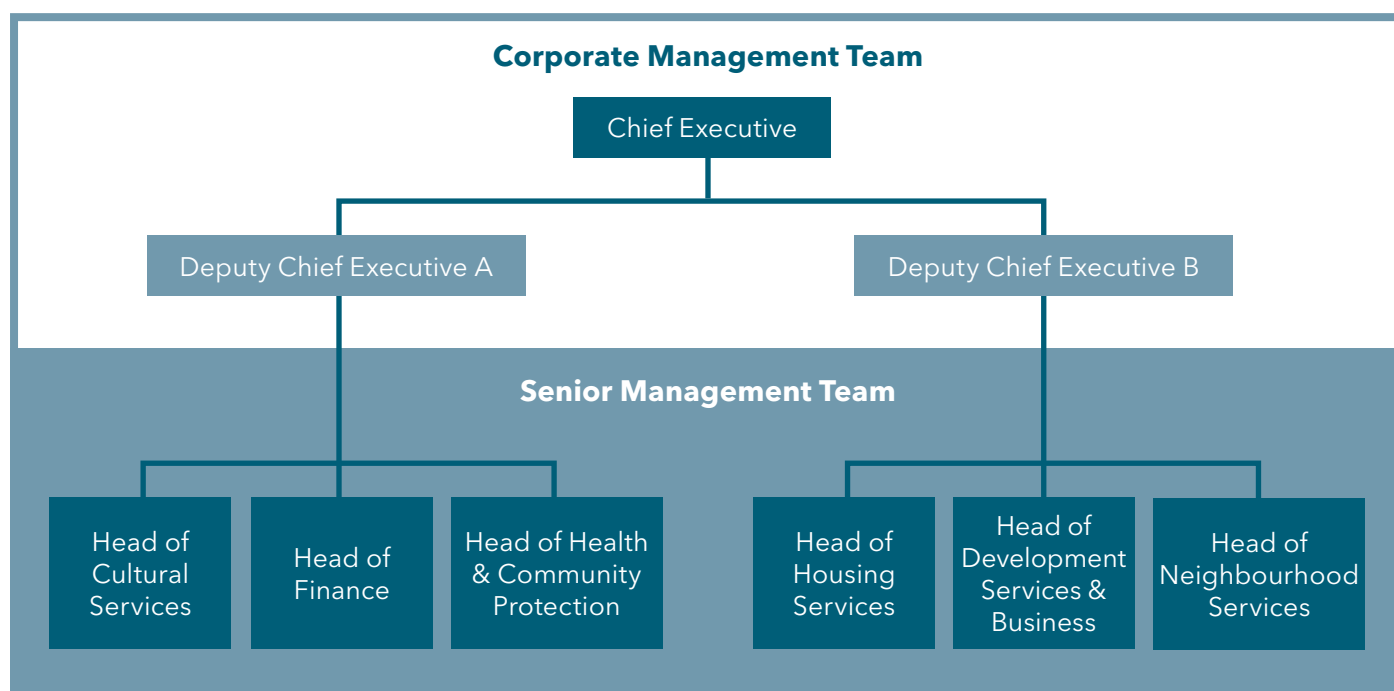
## Warwick District Council Key Information

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



# Management Structure

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



During 2019/20 the Corporate Management Team was comprised of the Chief Executive and two Deputy Chief Executives. Deputy Chief Executive A also performs the duties of the Monitoring Officer and Legal Client Manager.

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

The Corporate Management Team is responsible for the delivery of Council services,

directing improvements and future plans for Warwick District. It provides managerial leadership and supports Councillors in:

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

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

# Council Employees

The full time equivalent number of staff employed by the Council in April 2019 was 502. This increased over the year to 504 at the end of March 2020, including twelve apprentices, with six new starters in 19/20.

The Council is an Equal Opportunities employer throughout our recruitment and selection procedures, as well as learning and development, appraisal and promotion opportunities. We aim to recruit the best person for the job, using fair and open selection, based on knowledge and experience, skills and behaviour and welcome applications from all.

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

## Our Vision

The Council's Vision is to make Warwick District "a Great Place to Live, Work and Visit", underpinned by the Fit for the Future Strategy, setting out the Council's internal and external aims against 3 key strands.

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

Visit our website for more information on the updated Fit For Future Strategy and the 2019/20 service area plans.

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

# Our Values

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



## HONESTY AND OPENNESS

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



## VALUE FOR MONEY

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



## ENVIRONMENTALLY SENSITIVE

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



## COMMUNITY FOCUSED

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



## FAIRNESS AND EQUALITY

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

# Our Services

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

## CULTURAL SERVICES

- Sports & Leisure Management
- Active Communities
- Arts - Royal Spa Centre, Town Hall & Royal Pump Rooms and Museum

## FINANCE

- Accountancy
- Audit & Risk
- Exchequer
- Benefits
- Procurement

## HEALTH & COMMUNITY PROTECTION

- Community Partnership Team
- Regulatory
- Safer Communities

## STRATEGIC LEADERSHIP

- Human Resources & Media
- ICT Services
- Democratic Services
- Asset Management

## HOUSING SERVICES

- Housing Needs
- Sustaining Tenancies
- Housing Strategy & Development

## DEVELOPMENT SERVICES

- Policy & Projects
- Building Control Consortium
- Development Management

## NEIGHBOURHOOD SERVICES

- Bereavement Services
- Green Spaces
- Business Support & Development
- Car Parks
- Contract Services

# Resource Strategies

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

## DIGITAL STRATEGY

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

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

## PEOPLE STRATEGY

The People Strategy 2016/2020 sets out how the Council's approach to resourcing, learning and development, and cultural change ensures that its workforce is able to support the Fit

for the Future Strategy, as it is our staff that deliver the Council's vision to make Warwick District a great place to live, work and visit.

## MEDIUM TERM FINANCIAL STRATEGY FOR 2019/20 TO 2023/24

The Medium Term Financial Strategy (MTFS) was approved by Council on 20 February 2019. This document sets out the financial framework used to ensure adequate financial resources are available to achieve the Council's objectives, and that appropriate action is taken to address significant future challenges.

## ASSET STRATEGY

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

Visit our website for more information on these strategies.

# Annual Service Area Plans

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

Visit our website for further information on the individual 2019/20 service plans.

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

# Financial Overview

## 2019/20

The approved revenue budget sets out how the Council plans to allocate revenue funding during the year in order to deliver services to the people and communities within Warwick District.

Revenue resources available to finance the General Fund budget, used to provide services are forecast to be approximately £14.057m by 2022/23. A year by year breakdown is shown in the diagram below:

REVENUE RESOURCES	2019/20 Actual '£000	2020/21 Forecast '£000	2021/22 Forecast '£000	2022/23 Forecast '£000
Revenue Support Grant	0	0	0	0
Business Rates	2,464	4,161	3,285	3,387
Collection Fund Balance	-329	-185	0	0
New Homes Bonus	3,359	3,726	725	105
Other Grants and Government Funding	2,718	0	0	0
Council Tax	10,893	9,598	10,080	10,565
<b>Total Revenue Resources</b>	<b>19,105</b>	<b>17,300</b>	<b>14,090</b>	<b>14,057</b>

The currently approved Medium Term Financial Strategy (MTFS) forecasts that a further £2.4m of savings / increased income are required for 2020/21 – 2023/24. However, this was approved prior to the Coronavirus pandemic and the Government's national lockdown, therefore the impact of the pandemic, and the subsequent changes to the Council's strategic objectives going forward, have not yet been reported.

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

- Revenue losses arising from COVID-19 lockdown, and the uncertainty around the future economic impact to the proportion of Business Rates income retained by local authorities from 2021/22.
- Economic changes arising from Brexit including associated amendments to legislation
- Efficient procurement to deliver quality services at minimum cost
- Population growth increasing demand for services provided
- Expenditure pressures relating to pay awards, inflation, and capital programme financing costs.

It is clear that the Fit for Future change programme will have to continue for the foreseeable future, so that the Council's resources are managed appropriately to balance the budget, and deliver services in innovative ways, that continue to meet our customer's needs. The Council will continue to revise its MTFS to reflect future changes, providing updates to Executive / Council for approval as necessary.

In 2019/20 the Council approved a net General Fund budget of £9.274m which resulted in a D Band Council Tax charge of £166.86, an increase of £5 (3%) compared to the previous year.

# Financial Overview

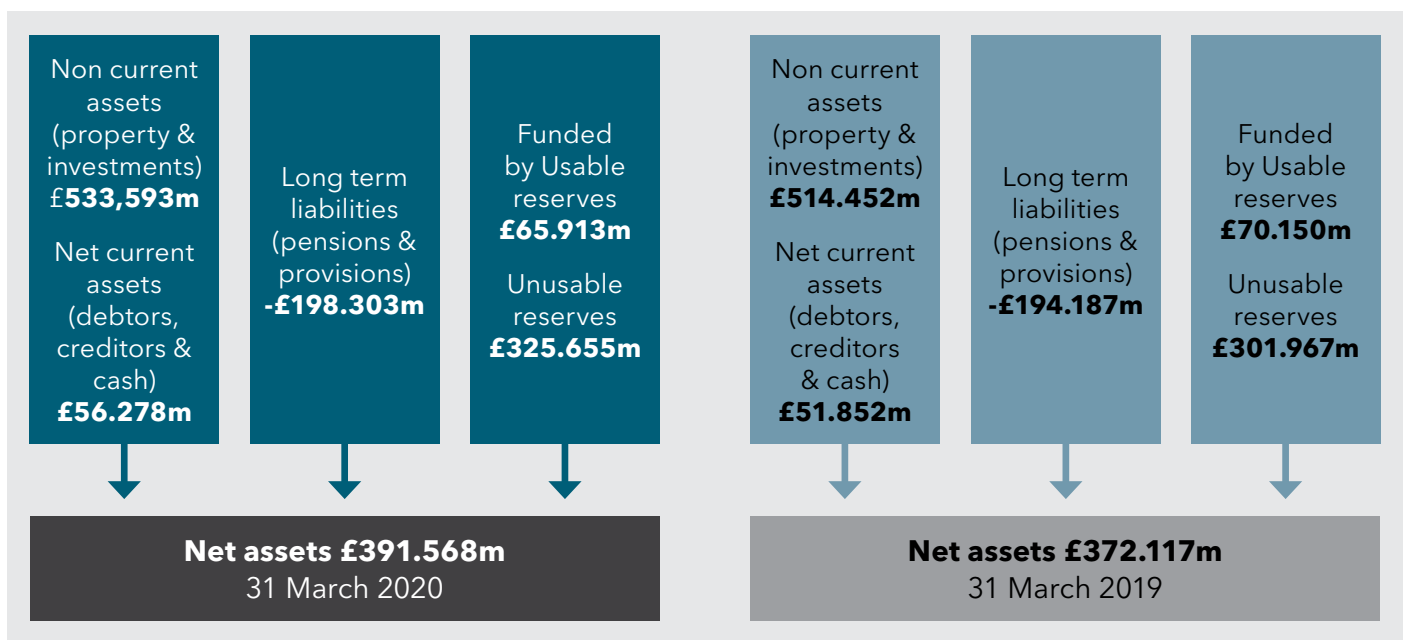
## 2019/20



### DURING THE YEAR, THE COUNCIL:

- Managed cashflows in excess of £251m
- In 2019/20 collected over £67.154m of Business Rates and £103.139m of Council Tax, of which £149.453m (89%) is passed onto Central Government and other agencies.
- Managed £10.234m of Investment Property which generated £0.533m of rental income which was used to support the provision of services within the District.
- Spent £87.196m (gross expenditure) on Council services
- Received 42,054m of fees, charges and other service income, and Government grants and other contributions of £39.101m which were used to deliver Council services
- Invested surplus cash balances to generate £0.985m of interest received.

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



The specified minimum level of General Fund revenue reserves as determined by the Head of Finance is £1.5m. The level of General Fund reserves to be carried into 2020/21 is £23.073m, which is £21.573m above the specified minimum amount. £19.955m of this total relates to Earmarked Reserves which have been set aside for specific purposes.



# Financial Performance

## 2019/20

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

Revenue Outturn Position	Budget £000	Actual £000	Variation £000
Business (Development Services)	11,833	5,693	-6,140
Cultural Services	4,772	4,341	-431
Development Services	639	1,303	664
Finance	2,781	2,800	19
Health & Community Protection	4,104	3,124	-980
Housing Services - General Fund	1,869	1,586	-283
Housing Services - HRA	5,694	9,756	4,062
Neighbourhood Services	7,052	7,023	-29
Strategic Leadership	3,711	3,317	-394
<b>Net Revenue Expenditure on Services</b>	<b>42,455</b>	<b>38,943</b>	<b>-3,512</b>

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

In overall terms, the Council achieved a General Fund surplus of £1.098m, and a HRA surplus of £3.762m, both of which have been allocated to reserves.

# Financial Performance

## 2019/20

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

Revenue Outturn Variances 2019/20	
<b>Business (Development Services)</b>	<b>Capital charges:</b> Revenue Expenditure Funded from Capital -£5.992m <b>Income:</b> Increased rental income -£0.123m
<b>Cultural Services</b>	<b>Capital charges:</b> impairment / asset revaluation -£0.267m <b>Income:</b> increased non-WDC admissions -£0.523m <b>Supplies and Services:</b> Increased arts fees due to admissions rise £0.176m <b>Employees:</b> casual staff requirements to support increased events £0.156m
<b>Development Services</b>	<b>Income:</b> lower than forecast planning applications £0.241m <b>Capital charges:</b> Revenue Expenditure Funded from Capital £0.435m
<b>Finance</b>	<b>Income:</b> Reduced Housing benefit subsidy claim £0.200m <b>Transfer Payments:</b> Housing benefit rent allowances / rebates -£0.085m <b>Support Services:</b> One stop shop -£0.086m
<b>Health and Community Protection</b>	<b>Capital charges:</b> Revenue Expenditure Funded from Capital -£0.963m
<b>Housing and Property Services</b>	<b>Income:</b> Disabled Facility Grant (DFG) allocation received -£0.130 Recharges -£0.164m <b>Employees:</b> Staffing vacancies -£0.073m <b>Supplies and Services:</b> DFG Grant paid to HEART £0.130m <b>Support Services:</b> Housing Strategy recharges for Homeless services £0.107m
<b>Housing Revenue Account</b>	<b>Capital charges:</b> Impairment / asset revaluation / depreciation £3,860m <b>Premises:</b> Increased repairs and maintenance to improve stock £0.870m <b>Support Services:</b> Reduced Supervision and Management costs -£0.266m <b>Supplies &amp; Services:</b> Increased bad debt provision £0.089m <b>Income:</b> Rents increased due to lower Right to Buy sales and new properties -£0.491m
<b>Neighbourhood Services</b>	<b>Premises:</b> Delays to car park displacement strategy -£0.199m <b>Income:</b> Reduced numbers of cremations £0.240m Recharges -£0.209m <b>Support Services:</b> Revised waste management recharges £0.234m
<b>Strategic Leadership</b>	<b>Employees:</b> Staffing for election £0.315m <b>Supplies &amp; Services:</b> Digital transformation project reserve funded £0.200m <b>Support Services:</b> Revised waste management recharges £0.175m <b>Premises:</b> Delays to Repairs and maintenance works -£0.404m <b>Third party payments:</b> Legal Fees -£0.252m <b>Income:</b> Government Grants for election expenditure -£0.412m Parish / Town election -£0.224m Recharges £0.216m

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA), is a ring-fenced account for services specifically relating to the provision of housing and associated services to Council tenants and leaseholders. The cost of providing these services is met from rents, service charges and grant funding. £28.116m of income was received, of which £25.348m related to dwelling rents from 5,477 properties. £19.808m of this was spent on providing revenue services in year, and a surplus of £4.814m was achieved. The surplus has been transferred to the HRA Capital Investment Reserve (CIR), to be used to finance future housing projects.

HRA Capital Investment reserve balances at 31 March 2020 equal £25.322m, and the Major Repairs Reserve (MRR) balance (used to fund capital expenditure improving HRA assets, or to repay HRA debt) is £5.849m. As outlined in the Housing Investment Programme (HIP), the Council plans to spend £10.501m in 2020.21 to improve its housing stock, following an £10.989m investment in 2019/20.

# Capital Programme

## 2019/20 to 2023/24

The Council has an ambitious five year capital programme: it is planning to spend £100.538m over this period. This investment will deliver a range of objectives including:

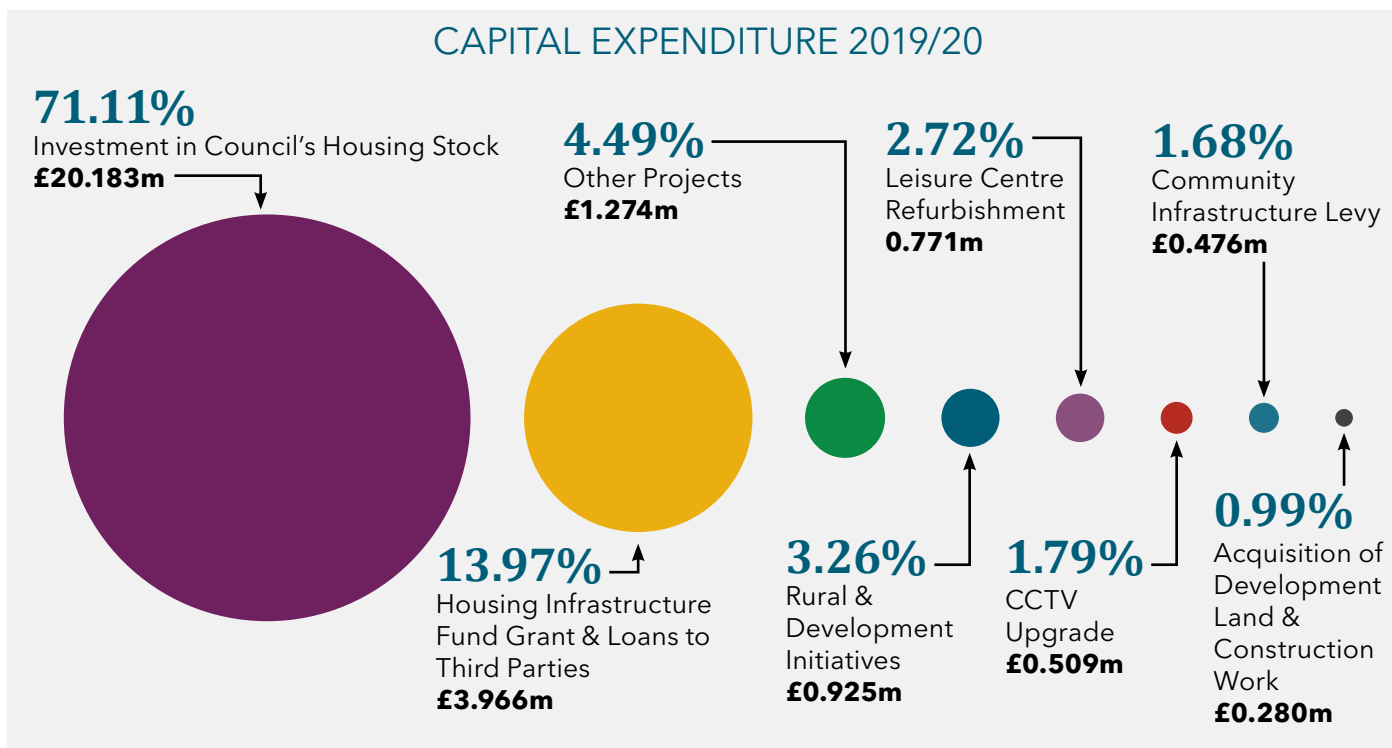
- Realising local aspirations as set out in the Fit for the Future programme - for example delivering enhanced leisure facilities following the refurbishment of St Nicholas and Newbold Comyn leisure centres
- Maintaining and enhancing the condition of existing assets including "invest to save" projects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

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

The 2019/20 total capital budget of £26.356m was approved at the Council Meeting on 20 February 2019. This was subsequently revised to £54.285m with the addition of re-profiled expenditure from the previous financial year and further approvals in the year. Actual capital expenditure for 2019/20 was £28.384m (£24.464m 2018/19). The charts below detail this expenditure and the accompanying financing.



# Capital Programme 2019/20



The expenditure analysis by portfolio, together with explanations of major project variances occurring in 2019/20 is shown in the tables below.

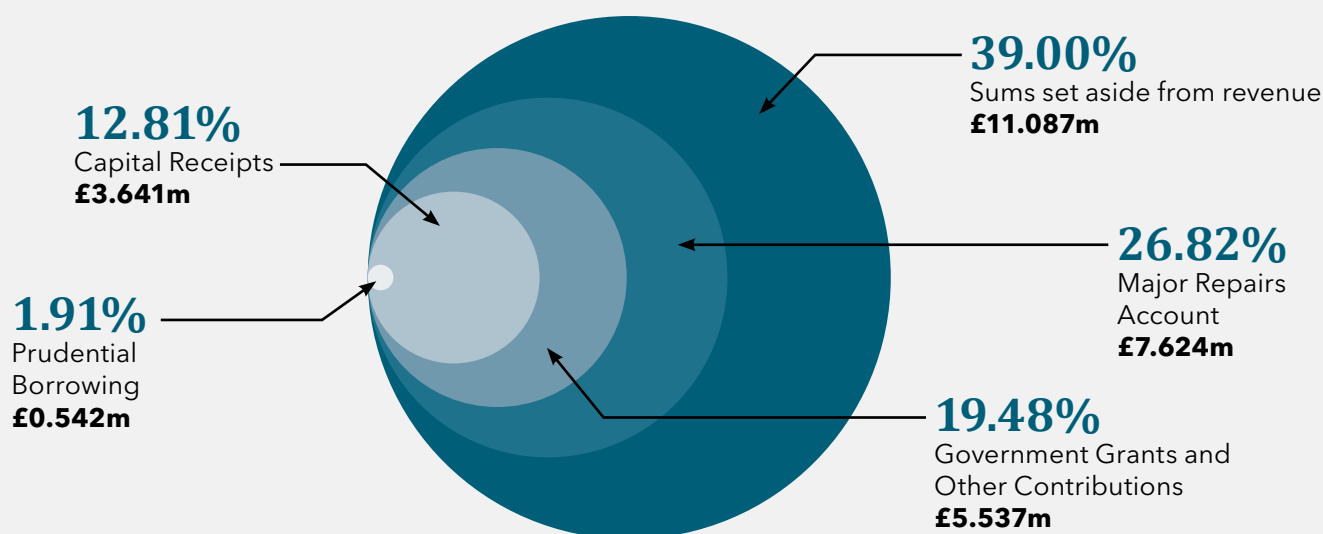
Capital Expenditure 2019/20	Budget £000	Actual £000	Variation £000
Culture	879	830	(49)
Development Services and Business	10,078	5,631	(4,447)
Finance	150	130	(20)
Health and Community Protection	219	84	(135)
Neighbourhood Services	998	804	(194)
Strategic Leadership	1,138	722	(416)
<b>Total Other Services Expenditure</b>	<b>13,462</b>	<b>8,201</b>	<b>(5,261)</b>
New Build/Reprovision of Housing	32,657	9,253	(23,404)
Improvements/Renewals	8,166	10,930	2,764
<b>Total HRA Related Housing Investment Programme (HIP)</b>	<b>40,823</b>	<b>20,183</b>	<b>(20,640)</b>
<b>TOTAL Capital Expenditure</b>	<b>54,285</b>	<b>28,384</b>	<b>(25,901)</b>

## CAPITAL EXPENDITURE VARIANCES 2019/20

### Major variances caused by:

<b>Development Services and Business</b>	<b>Kenilworth School HIP Grant:</b> Delay in purchase of site for new school -£4.628m <b>CFS Aeroproducts Loan:</b> Change in the payment profile -£0.100m <b>2nd Warwick Sea Scouts HQ:</b> Contingency budget provision not required in 19/20 -£0.088m <b>Leper Hospital Site:</b> Delays to programme of works completion -£0.053m
<b>Health and Community Protection</b>	<b>Whitnash Community Hub:</b> Delay due to resolving a drainage issue for storm water -£0.135m
<b>HRA Related HIP</b>	<b>New Build:</b> Delays to purchase of land -£10.733m and handover of constructed properties -£11.611m <b>Roof Covering:</b> Additional works required upon stock inspection £0.327m <b>Fire Safety Works:</b> Additional electrical, door and window works on medium to high rise properties £2.009m
<b>Neighbourhood Services</b>	<b>Play area improvement:</b> Delays due to staff resourcing -£0.111m <b>Pump Room gardens parks:</b> Bandstand undercroft and footpath works to be completed -£0.083m
<b>Strategic Leadership</b>	<b>CCTV Replacement System:</b> Delay in project -£0.391m

## CAPITAL FINANCING 2019/20

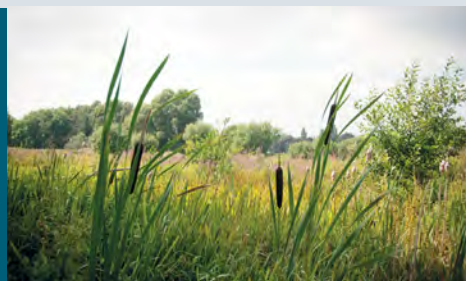




# The Council's Performance at a glance 2019/20




Over **1.122 million** visitors to the Council's leisure centres



Invested **£283,503** in improvement works to parks and open spaces

Over **137,000** visitors to Leamington Spa Art Gallery and Museum



  
**£14.8 million** invested to improve, maintain and repair HRA properties



Over 4.3 million waste collections, with more than **99.92%** completed on the scheduled day



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



Over **120,000** visitors to the Royal Spa Centre



**1,768** planning applications received

More than **98%** of planning applications determined within statutory timescale



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

# The Council's Performance 2019/20

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

## PEOPLE

- There are now twelve apprentices within the Council, recruited through either our corporate programme, converted roles, or existing staff studying for qualifications within their existing roles.
- Within the Housing Improvement Plan 2019/20, the Council has invested a further £2.200m in fire safety measures in its high rise blocks, including 60 minute fire resistant flat entrance and communal doors, upgrades to electrical installations and emergency lighting and automatic smoke ventilation to stairwells.
- The county-wide Home Environment Assessment and Response Team (HEART) service, which provides specialist support for the delivery of home adaptations and related services, to help people maintain their independence and remain in their own homes for longer. For this District, at the end of March 2020, the HEART service had assessed and arranged for work to be carried out to 33 homes.
- The Council received nearly £256k of Flexible Homelessness Support & Homeless Reduction grant from Central Government to prevent homelessness. This funding has been used to support various prevention methods including clearing rent arrears, rent in advance and estate agent credit check and application fees.
- A Further £397k of grant funding was secured as part of a bid to MCHLG's National Rough Sleeping Intervention Scheme to prevent and reduce rough sleeping within the District which funds a number of interventions including a Direct Access Hostel which provides round the clock accommodation, support and care for the homeless as well as partnership working to reduce homelessness with other Local Authorities, Charities and Community groups.

## SERVICES

- During the course of the financial year, work was largely completed on the Pump Room Gardens other than rectifying post-contract defects. The project included restoration of the Victorian Bandstand, and reinstating key 19th century features. The total cost of the initial project was £1.211m, funded by £836k from the Heritage Fund Parks for People programme, £288k from other external sources including the Friends of Pump Room Gardens, Royal Leamington Spa Town Council and Section 106 contributions, and £87k from WDC.
- The Council's recycling rate is approximately 55.28%, which is well ahead of the national target of 50% by 2020.

## MONEY

- Royal Leamington Spa once again hosted the Bowls England National Championships in 2019. The Bowls England National Championships attracted around 30,000 players and supporters to Victoria Park in Royal Leamington Spa during the competition period, with a total visitor spend generated by the championships estimated at £1.126m.
- The Council achieved a collection rate of 98.23% for business rates and 98.14% for council tax.
- Over £1.700m of Community Infrastructure Levy (CIL) demand notices were issued during year – the Council's first year of operating CIL.



# Key Strategic Partnerships

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

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

# Governance Framework

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

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

Visit our website for further information.

The Accounts and Audit Regulations 2015 require the Council to conduct a review, at least annually, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The Council's 2019/20 Annual Governance Statement is included in the Financial Statements.





# Corporate Risks

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

Key risks currently identified include:

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

# Future Opportunities

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



## LEAMINGTON HIGH STREET

The Council has been successful in its expression of interest to the Government's Future of the High Street Fund for its vision to revitalise Leamington Town Centre. We are now developing proposals, including a range of linked projects focusing on the area either side of Victoria Bridge. These proposals will form a business case to be submitted in 2020. It is hoped this will directly provide a significant investment to support these projects, with the opportunity to lever in additional funding from other sources.



## TACH BROOK COUNTRY PARK

The Council is to develop and deliver a new country park stretching across 56 hectares located to the south of Leamington and Warwick. Tach Brook Country Park will form one of the largest green spaces in the district and will be the main green space within the urban extension. It will be a haven for wildlife and biodiversity as well as a place to enjoy a range of outdoor activities.



## KENILWORTH MULTI ACADEMY TRUST / SOCIAL HOUSING

Warwick District Council is supporting Kenilworth School & Sixth Form (now part of Kenilworth Multi-Academy Trust) with its relocation from its current split sites to a single site at South Crest Farm, Kenilworth. The Academy's current sites at Rouncil Lane and Leyes Lane are allocated in the Warwick District Local Plan for housing and through the Council's close work with the School, the Council is in a position to purchase both sites, having already exchanged contracts for land at Rouncil Lane and agreement in principle to purchase the Leyes Lane site. This will enable the Council to embark on an extensive social housing building programme.



## EUROPA WAY

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

# Content and Format of the Statement of Accounts

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



## STATEMENTS OF RESPONSIBILITIES

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

## CORE FINANCIAL STATEMENTS

The Statement of Accounts comprise four core financial statements:

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

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

## AUDITOR'S REPORT

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

## MAIN CHANGES TO THE CORE STATEMENTS AND SIGNIFICANT TRANSACTIONS 2019/20

There are no significant changes to the 2019/20 Statement of Accounts.

## STATEMENT OF ACCOUNTING POLICIES

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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





## SUPPLEMENTARY STATEMENTS

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

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

## RECEIPT OF FURTHER INFORMATION

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

## ACKNOWLEDGEMENTS

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

### **Mike Snow C.P.F.A.**

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

**The Council is required to:**

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

**The Section 151 Officer's Responsibilities**

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

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

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

The Head of Finance has also:

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

I certify that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2020, and its income and expenditure in the year ended 31 March 2020.

21 September 2020

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

**Approval of Statement of Accounts**

Statement of Accounts approved at the Warwick District Council Finance and Audit Scrutiny Committee meeting held on 30 September 2020.

Chair of the Meeting  
Councillor Nicholls

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

2018/19			Portfolio:	Note	2019/20		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
3,417	(701)	2,716	Business (Development Service)		6,486	(866)	5,620
10,354	(1,772)	8,582	Cultural Services		5,483	(2,584)	2,899
2,970	(2,652)	318	Development Services		3,790	(2,487)	1,303
31,249	(29,026)	2,223	Finance		29,349	(26,559)	2,790
3,661	(612)	3,049	Health & Community Protection		3,687	(564)	3,123
3,066	(1,714)	1,352	Housing Services General Fund		3,248	(1,707)	1,541
20,685	(27,626)	(6,941)	Housing Revenue Account		19,270	(28,122)	(8,852)
10,994	(5,887)	5,107	Neighbourhood Services		11,897	(5,886)	6,011
1,938	(346)	1,592	Strategic Leadership		3,331	(1,206)	2,125
<b>88,334</b>	<b>(70,336)</b>	<b>17,998</b>	<b>Cost of Services - continuing operations</b>		<b>86,541</b>	<b>(69,981)</b>	<b>16,560</b>
2,484	(770)	1,714	Other Operating Income and Expenditure	10	2,580	(1,243)	1,337
6,691	(1,449)	5,242	Financing and Investment Income and Expenditure	11	8,858	(1,781)	7,077
-	(20,962)	(20,962)	Taxation and Non-Specific Grant Income and Expenditure	12	-	(24,969)	(24,969)
		<b>3,992</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>5</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(19,632)	(Surplus) or Deficit on revaluation of Non Current Assets	23			(7,712)
		3,280	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	23			827
		-	Surplus or deficit on revaluation of available for sale financial assets	23			-
		7,500	Remeasurement of the net defined benefit liability / (asset)	23			(12,123)
		<b>(8,852)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(19,008)</b>
		<b>(4,860)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(19,003)</b>



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

2018/19	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017 carried forward</b>	<b>18,597</b>	<b>30,564</b>	<b>8,632</b>	<b>9,242</b>	<b>434</b>	<b>67,469</b>	<b>300,226</b>	<b>367,695</b>
<b>Movement in reserves during 2017/18</b>								
Total Comprehensive Income and Expenditure	(7,250)	3,258	-	-	-	(3,992)	8,852	4,860
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	9,466	(1,527)	(123)	(1,143)	438	7,111	(7,111)	-
<b>Increase / (Decrease) in 2018/19</b>	<b>2,216</b>	<b>1,731</b>	<b>(123)</b>	<b>(1,143)</b>	<b>438</b>	<b>3,119</b>	<b>1,741</b>	<b>4,860</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>20,813</b>	<b>32,295</b>	<b>8,509</b>	<b>8,099</b>	<b>872</b>	<b>70,588</b>	<b>301,967</b>	<b>372,555</b>
2019/20	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2019 carried forward</b>	<b>20,813</b>	<b>32,295</b>	<b>8,509</b>	<b>8,099</b>	<b>872</b>	<b>70,588</b>	<b>301,967</b>	<b>372,555</b>
<b>Movement in reserves during 2019/20</b>								
Total Comprehensive Income and Expenditure	(5,549)	5,544	-	-	-	(5)	19,008	19,003
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	7,809	(10,902)	(1,252)	(1,599)	1,275	(4,669)	4,680	11
<b>Increase / (Decrease) in 2019/20</b>	<b>2,260</b>	<b>(5,358)</b>	<b>(1,252)</b>	<b>(1,599)</b>	<b>1,275</b>	<b>(4,674)</b>	<b>23,688</b>	<b>19,014</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>23,073</b>	<b>26,937</b>	<b>7,257</b>	<b>6,500</b>	<b>2,147</b>	<b>65,914</b>	<b>325,655</b>	<b>391,569</b>

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

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

The unaudited accounts were issued on 15 June 2020 and the audited accounts were issued on 19 August 2020.

31 March 2019		Note	31 March 2020
£'000			£'000
	<b>Operational Assets:</b>		
387,206	Council Dwellings		402,119
7,980	HRA Land and Buildings		8,016
74,391	Other Land and Buildings		73,262
2,735	Vehicles, Plant, Furniture and Equipment		3,510
2,001	Infrastructure Assets		1,961
7,638	Community Assets		7,703
	<b>Non-Operational Assets</b>		
316	Surplus Assets		275
429	Assets under Construction		5,534
<b>482,696</b>	<b>Property, Plant and Equipment</b>	<b>13</b>	<b>502,380</b>
8,315	Heritage Assets	14	9,005
10,966	Investment Properties	15	10,234
44	Intangible Assets		43
6,233	Long Term Investments	16	5,122
6,198	Long Term Debtors	16	6,809
<b>514,452</b>	<b>LONG TERM ASSETS</b>		<b>533,593</b>
35,427	Short Term Investments	16	36,158
84	Assets Held for Sale	17	86
12	Inventories		16
7,781	Short Term Debtors	18	6,365
27,366	Cash and Cash Equivalents	20	30,113
<b>70,670</b>	<b>CURRENT ASSETS</b>		<b>72,738</b>
(18,052)	Short Term Creditors	21	(14,090)
(1,471)	Provision Liabilities payable in less than 1 year	22	(2,370)
<b>(19,523)</b>	<b>CURRENT LIABILITIES</b>		<b>(16,460)</b>
(153)	Long Term Creditors		(153)
(3,318)	Provision Liabilities payable in more than 1 year	22	(3,286)
(136,157)	Long Term Borrowing	16	(148,157)
(47)	Other Long Term Liabilities	16	(30)
(4,903)	Capital External Grants/Contributions in Advance	33	(5,786)
(48,466)	Net Pensions Liability	38	(40,891)
<b>(193,044)</b>	<b>LONG TERM LIABILITIES</b>		<b>(198,303)</b>
<b>372,555</b>	<b>NET ASSETS</b>		<b>391,568</b>
70,588	Usable Reserves	32	65,913
301,967	Unusable Reserves	23	325,655
<b>372,555</b>	<b>TOTAL RESERVES</b>		<b>391,568</b>



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

2018/19		Notes	2019/20
£'000			£'000
3,992	Net (Surplus) or deficit on the provision of services		5
(18,696)	Adjust net (surplus) or deficit on the provision of services for non cash movements	24	(16,305)
6,675	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	24	6,215
<b>(8,029)</b>	<b>Net cash flows from Operating Activities</b>		<b>(10,085)</b>
21,631	Investing Activities	25	16,514
(600)	Financing Activities	26	(9,176)
<b>13,002</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,747)</b>
(40,368)	Cash and cash equivalents at the beginning of the reporting period		(27,366)
<b>(27,366)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(30,113)</b>

## **1. Accounting Policies**

### **General Principles**

The content, layout and general rules used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2019/20 issued by the Chartered Institute of Public Finance, and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Preparation**

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

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

### **Accruals of Income and Expenditure**

The Council’s Accruals Policy was revised in 2018/19 and as such the following is applicable.

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

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

Exceptions to the above rule include:

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

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

It is not expected that these exceptions or the de-minimis limit will be material to the overall accounting position.

### **Cash and Cash Equivalents**

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

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

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

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

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

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

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

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

### **Accounting for Council Tax and NDR**

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

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

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

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

## **Employee Benefits**

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (2.4% in 2018/19) at the IAS19 valuation date.

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

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

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

Service Cost comprising:

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

Re-measurements comprising:

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

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

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

## Discretionary Benefits

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

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

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

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

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

## **Fair Value**

### Fair Value Measurement

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

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

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

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

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

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

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

## **Financial Instruments**

### Financial Liabilities

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

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

## **Financial Assets**

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

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

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

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

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

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



## **Expected Credit Loss Model**

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

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

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

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

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

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

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

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

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

## **Soft Loans under Financial Instruments**

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

## **Government Grants and Contributions**

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

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



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

### Community Infrastructure Levy

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

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

### **Heritage Assets**

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

#### Recognition and Measurement

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

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

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

#### Depreciation, Amortisation and Impairment

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

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

### Disposal

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

### **Investment Property**

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

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

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

### **Leases**

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

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

### The Council as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

### The Council as Lessor

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

### Operating Leases

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

### **Overheads and Support Services**

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

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

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

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

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

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

## Property, Plant and Equipment

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

### Recognition

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

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- Council Houses – component depreciation method,
- Other buildings – straight line allocation over the useful life of the property as estimated by the valuers.

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

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

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

#### Housing Revenue Account

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

#### General Fund

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

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

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on

disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement thus calculating the gain or loss on the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

### Provisions

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance and Housing Revenue



Account in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The relevant amount from the reserve is then appropriated back into the General Fund Balance and Housing Revenue Account in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

### **Revenue Expenditure Funded from Capital Under Statute**

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

### **Value Added Tax (VAT)**

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

### **Apprenticeship Levy**

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

### **Rounding**

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

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

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

**IAS 19 Employee Benefits:** - The amendment will require the re-measurement of net pension asset/liability following planned amendments, curtailments or settlements to be used to determine current service cost and net interest for the period after the change to the plan. The updated assumptions only apply to changes from 1 April 2020 and, since this movement to the net pension liability is uncertain, no prediction can be made of the possible accounting impact.



**IFRS 16 Leases** - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low- value and short-term leases). The Council has a small number of operational leases in place which will be assessed in preparation of this new accounting treatment but it is not anticipated these changes will have a material impact on the financial statements. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

#### Other Changes

The following accounting standards will be implemented in 2020/21 but are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

**Amendments to IAS28 Investment in Associates and Joint Ventures: Long term interests in Associates and Joint Ventures** – The amendment clarifies that an entry applies IFRS 19, including its impairment requirements to long term interests and associate or joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The implementation date of this amendment is 1 April 2020.

**Annual Improvements to IFRS Standards 2015 – 2017 Cycle** - makes minor amendments, principally providing clarification, to a number of accounting standards: (i) IFRS 3, Business Combinations and IFRS 11 Joint Arrangements. (ii) IAS 12 Income Taxes (iii) IAS 23 Borrowing Costs.

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

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

- Uncertainty around future funding levels is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council has entered into joint ventures with PSP Warwick LLP and Waterloo Housing Association. An assessment has been undertaken of the relationship with these parties. There is a group relationship with PSP Warwick LLP but transactions during 2019/20 were not considered material for the Council so group accounts have not been prepared. Instead, a disclosure has been included in the Related Parties Note. There was no group relationship with Waterloo Housing Association.
- All of the Council's Investment Properties were revalued in 2019/20 and as such it is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. The properties were revalued using direct observation of the passing rents on similar properties within the local property market and this equates to a level 2 input according to our valuers Carter Jonas.
- The balance sheet values for the Council's housing stock and other Housing Revenue Account non-current assets, with the exception of equipment and work in progress, are based on a valuation date of 28 February 2020 as these assets are revalued every year for HRA business plan purposes. This valuation date is treated as a proxy for 31 March 2020 in order to show the latest up to date values in the balance sheet. The Council is not aware of any event, economic or otherwise that would have materially affected the 28 February 2020 valuation such as to make it inappropriate to use as a proxy for 31 March 2020. This takes into consideration the impact of COVID-19, following an update statement received from our valuers Carter Jonas dated 4 June 2020.

- During 2017/18 the Council invested £6m in two Corporate Equity Funds which at 31 March 2020 were valued at £5.122m, a fall of £1.111m over the 31 March 2019 position, and reflecting a reduction of £0.878m in the original value invested. As they are not regularly traded, the funds were valued in terms of fair value on a Level 2 basis. However, the underlying assets within the funds are regularly valued in an active market and can be considered to be valued on a Level 1 basis, thereby giving reassurance as to the accuracy of the year end valuation of £5.122m. The Council has taken a long term position in relation to these funds and is not aware of any issues, financial or otherwise, that are likely to result in a long term loss of value, although it is seeking to divest from fossil fuels (a composite element of such funds) at the earliest opportunity. Previously the changes in capital value would have impacted on the General Fund but for 2019/20 and the subsequent 3 years, the movements in the capital value of both funds have been taken to the new Financial Instruments Revaluation Reserve which has been statutorily introduced in order to ensure that any changes in capital value do not impact on the General Fund.
- During 2019/20, the Council made long term loans for capital expenditure amounting to £0.530m to various organisations. Due diligence was carried out to ensure that the borrowers capacity to repay the loans plus interest in a timely manner was adequate. The Council has assessed the impact of COVID-19 and does not believe that this issue requires the loans to be impaired.

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £313k for every year that the useful lives had to be reduced.</p>
Property, Plant and Equipment - Asset Life	<p>The Council appoints RICS qualified valuer, Carter Jonas, to carry out a programme of asset valuations to ensure that their carrying values are subject to professional and independent assessment, to guard against material misstatement. These values are then reviewed and challenged as appropriate, ensuring all reasonable steps are taken to ensure information contained within the Statement of Accounts is free from material error.</p> <p>The COVID-19 pandemic, from 11 March 2020, has impacted market activity in many sectors. Due to this, the valuer states that they can attach less weight to previous market evidence for comparison purposes to inform opinions of value due to the unprecedented set of circumstances on which to base a judgement. Therefore these valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.</p>	<p>Were the asset valuations to differ from those included within the Statement of Accounts, the carrying amount of the asset would change as follows:</p> <p>2%    £9.763m  5%    £24,184m  10%   £48.367m</p> <p>Currently, the Revaluation Reserve balance is £102.356m, which would change by the amount of any respective movement in valuation.</p>
Provisions	<p>The Council has made provisions for insurance cover in respect of outstanding liability claims from the public, employees and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31 March 2020 where such excesses have been negotiated when agreeing premiums.</p> <p>Following the introduction of the retention of business rates scheme new provisions have been created to provide for the potential successful appeals against rateable values.</p>	<p>An increase over the forthcoming year of 10% in settlements would have the effect of adding £147k to the provisions needed.</p>

Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all Warwickshire authorities with expert advice about the assumptions to be applied.</p>	<p>The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis.</p> <p>The actuaries model thousands of possible outcomes in order to establish the long term estimates</p> <p>The Council will use information from the Pensions actuary to set the employer's pension contribution rates to ensure that pension liabilities are met.</p> <p>A sensitivity analysis upon other variables affecting the net liability is set out in Note 38 Defined Benefit Pension Schemes.</p>
Arrears	<p>At 31 March 2020, the Council had a balance of arrears of Housing Rents, Council Tax, Business Rates and other sundry debtors of £6m. A review of the above suggested that an impairment of doubtful debts of 50.3% (£3.02m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £3.02m to be set aside as an allowance.</p>

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

## 5. Events After the Reporting Period

Events taking place after the Reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. The Statement of Accounts will be authorised for issue by the Head of Finance on 19 August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events took place before this date, provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 31 March 2020 there are two key events after the Reporting Period for the Council to disclose. The first key event is Coronavirus, with the pandemic impacting at the very end of the financial year, and the Government's imposing a national lockdown from 23 March 2020. This has not had a significant impact on the financial outturn for 2019/20, with PPE valuations remaining unchanged following confirmation with our valuers, Carter Jonas. While the true scale of its impact will be felt during 2020/21, it is difficult to quantify the impact of COVID-19 at this stage, and while emergency Government funding has been received to mitigate some of the impact, the Council will face significant financial pressures in the immediate future.

The second event is Brexit, with the United Kingdom having now left the EU in January 2020, and the transition period due to end in December 2020. This may impact events during the closure of accounts period, or even during the audit process and may need to be reflected in the accounts but due to the large amount of uncertainty and political turmoil currently surrounding the issue we are unable to reliably quantify any financial impact to the Council.

## 6. Expenditure and Funding Analysis

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

	2019/20		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Portfolio:	£'000	£'000	£'000
Business (Development Services)	1,331	4,289	5,620
Cultural Services	2,174	725	2,899
Development Services	385	918	1,303
Finance	3,720	(930)	2,790
Health & Community Protection	2,401	722	3,123
Housing Services - General Fund	1,299	242	1,541
Housing Services - HRA	1,083	(9,935)	(8,852)
Neighbourhood Services	5,408	603	6,011
Strategic Leadership	1,443	682	2,125
<b>Net Costs of Services</b>	<b>19,244</b>	<b>(2,684)</b>	<b>16,560</b>
Other Income and Expenditure	(16,146)	(409)	(16,555)
<b>(Surplus) or Deficit</b>	<b>3,098</b>	<b>(3,093)</b>	<b>5</b>

<b>Opening General Fund and HRA Balance</b>	<b>(53,108)</b>
Less/Plus Surplus / (Deficit) on General Fund and HRA	3,098
Balance in Year	
<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(50,010)</b>

	2018/19		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Portfolio:	£'000	£'000	£'000
Business (Development Services)	1,930	786	2,716
Cultural Services	3,928	4,654	8,582
Development Services	110	208	318
Finance	1,978	245	2,223
Health & Community Protection	2,487	562	3,049
Housing Services - General Fund	1,210	142	1,352
Housing Revenue Account	(6,162)	(779)	(6,941)
Neighbourhood Services	4,883	224	5,107
Strategic Leadership	1,197	395	1,592
<b>Net Costs of Services</b>	<b>11,561</b>	<b>6,437</b>	<b>17,998</b>
Other Income and Expenditure	(15,508)	1,502	(14,006)
<b>(Surplus) or Deficit</b>	<b>(3,947)</b>	<b>7,939</b>	<b>3,992</b>

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

## Note to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis				
				2019/20
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	
	£000	£000	£000	£000
Business (Development Services)	(4,085)	(203)	(1)	(4,289)
Cultural Services	(423)	(300)	(2)	(725)
Development Services	(536)	(381)	(1)	(918)
Finance	1,326	(393)	(3)	930
Health & Community Protection	(343)	(378)	(1)	(722)
Housing Services - General Fund	(58)	(182)	(2)	(242)
Housing Services - HRA	10,362	(428)	1	9,935
Neighbourhood Services	(227)	(376)	-	(603)
Strategic Leadership	35	(708)	(9)	(682)
<b>Net Cost Of Services</b>	<b>6,051</b>	<b>(3,349)</b>	<b>(18)</b>	<b>2,684</b>
Other income and expenditure from the Expenditure and Funding Analysis	5,281	(1,199)	(3,673)	409
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>11,332</b>	<b>(4,548)</b>	<b>(3,691)</b>	<b>3,093</b>

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

## Adjustments for Capital Purposes

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

## Net Changes for the Pensions Adjustments

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

## Other Differences

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



## Segmental Income

Income received on a segmental basis is analysed below:

	2019/20	2018/19
Portfolio	Income from Services	Income from Services
	£000	£000
Business (Development Services)	716	594
Cultural Services	2,584	1,772
Development Services	2,431	2,652
Finance	505	580
Health & Community Protection	525	577
Housing Services - General Fund	412	346
Housing Services - HRA	27,872	27,448
Neighbourhood Services	5,886	5,886
Strategic Leadership	1,123	851
<b>Total income analysed on a segmental basis</b>	<b>42,054</b>	<b>40,706</b>

## 7. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2019/20	2018/19
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	23,489	19,889
Other services expenses	53,928	54,567
Depreciation, amortisation and impairment	13,095	15,798
Interest payments	4,888	4,770
Precepts and Levies	1,619	1,523
Payments to Housing Capital Receipts Pool	961	961
<b>Total Expenditure</b>	<b>97,980</b>	<b>97,508</b>
<b>Income</b>		
Fees, charges and other service income	(42,054)	(40,706)
Gain on the disposal of assets	(1,243)	(770)
Interest and investment income	(1,228)	(937)
Income from Council Tax and Business Rates	(13,172)	(14,235)
Government grants and contributions	(40,278)	(36,868)
<b>Total Income</b>	<b>(97,975)</b>	<b>(93,516)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>5</b>	<b>3,992</b>



## **8. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

### **General Fund Balance**

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

### **Housing Revenue Account Balance**

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

### **Major Repairs Reserve**

Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve. This reserve can be used to fund capital expenditure to help maintain or improve HRA assets, or repay HRA debt.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which there are no conditions or the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2019/20	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(3,966)	(582)			
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(2,568)				
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(19)	1			
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	(1,105)				
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,776)	(1,040)			438
<b>Total Adjustments to the Revenue Account</b>	<b>(11,434)</b>	<b>(1,621)</b>	<b>-</b>	<b>-</b>	<b>438</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	155	3,152	(3,350)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(961)		961		
Posting of HRA resources from Revenue to the Major Repairs Reserve				(6,025)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,718	9,371			
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,912</b>	<b>12,523</b>	<b>(2,389)</b>	<b>(6,025)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			3,641		
Use of the Major Repairs Reserve to finance capital expenditure				7,624	
Application of capital grants unapplied credited to the CIES	1,713				(1,713)
<b>Total Adjustments to Capital Resources</b>	<b>1,713</b>	<b>-</b>	<b>3,641</b>	<b>7,624</b>	<b>(1,713)</b>
<b>Total Adjustments</b>	<b>(7,809)</b>	<b>10,902</b>	<b>1,252</b>	<b>1,599</b>	<b>(1,275)</b>

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

## 9. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20:

	Balance at	Transfers Out	Transfers In	Balance at
	1 April 2019	2019/20	2019/20	31/03/2020
	£000	£000	£000	£000
<b>General Fund:</b>				
Art Fund Reserve	-	-	-	-
Art Gallery Gift Reserve	129	(3)	5	132
Building Control Reserve	179	(32)	155	302
Business Rate Retention Volatility Reserve	4,535	-	2,986	7,522
Capital Investment Reserve	1,206	(330)	278	1,153
Car Park Displacement Reserve	604	(119)	-	485
Car Parks Repairs & Maintenance Reserve	383	(220)	38	201
Cemetery Land Purchase Reserve	16	-	-	16
Climate Change Reserve	-	-	-	-
Commonwealth Games Reserve	42	(94)	100	48
Community Forums Reserve	21	(24)	3	-
Community Projects Reserve	1,824	(554)	649	1,919
Corporate Assets Reserve	2,129	(966)	11	1,174
Covent Garden Multi Storey Reserve	900	-	-	900
Digital by Default Reserve	114	-	16	130
Earmarked Balances Reserve	1,606	(1,944)	1,070	732
Election Expenses Reserve	105	(100)	-	5
Energy Management Reserve	-	-	-	-
Enterprise Projects Reserve	170	(3)	71	238
Equipment Renewals Reserve	621	(37)	100	684
G M Commuted Sums Reserve	420	(30)	-	390
GF Early Retirements Reserve	85	(38)	12	58
Harbury Lane Reserve	84	-	-	84
Hill Close Gardens Reserve	20	(20)	-	-
Homelessness Prevention Reserve	522	(104)	140	559
ICT Replacement Reserve	76	(232)	250	94
Insurance Reserve	274	-	-	274
Investment Volatility Reserve	100	-	-	100
Leisure Options Reserve	63	(37)	-	26
Local Plan Delivery Reserve	12	(17)	49	44
Planning Investment Reserve	177	(256)	190	111
Planning Appeal Reserve	484	(147)	138	475
Public Amenity Reserve	337	(232)	-	105
Public Open Space Planning Gain Reserve	473	(51)	40	462
Rent Bond Scheme Reserve	-	-	-	-
Revenue Grants / Contributions Received in Advance	764	(622)	277	419
Right to Bid Reserve	-	-	-	-
Right to Challenge Reserve	-	-	-	-
Riverside House Maintenance Reserve	11	(11)	-	-
Services Transformation Reserve	281	(243)	1,049	1,087
Tourism Reserve	27	-	-	27
<b>TOTAL GENERAL FUND</b>	<b>18,794</b>	<b>(6,467)</b>	<b>7,627</b>	<b>19,955</b>
<b>HRA:</b>				
HRA Capital Investment Reserve	30,763	(9,502)	4,061	25,322
HRA Early Retirements Reserve	21	-	-	21
HRA Rev Grants/Contribs In Advance Reserve	10	(18)	18	10
HRA Earmarked Reserves	-	(477)	517	40
HRA Rough Sleeping Initiative	46	(46)	61	61
<b>TOTAL HRA</b>	<b>30,841</b>	<b>(10,043)</b>	<b>4,656</b>	<b>25,454</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>49,635</b>	<b>(16,510)</b>	<b>12,283</b>	<b>45,408</b>

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

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

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

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

**Earmarked Balances Reserve:** This reserve contains unspent budgets relating to specific items which require to be transferred from 2019/20 to 2020/21 due to unavoidable delays etc.

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

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

## 10. Other Operating Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
1,523	-	1,523	Parish Council Precepts	1,619	-	1,619
961	-	961	Payments to Govt. Housing Capital Receipts Pool	961	-	961
-	(770)	(770)	(Gain) or loss on the disposal of non-current assets	-	(1,243)	(1,243)
<b>2,484</b>	<b>(770)</b>	<b>1,714</b>	<b>Total</b>	<b>2,580</b>	<b>(1,243)</b>	<b>1,337</b>

## 11. Financing and Investment Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
4,769	-	4,769	Interest Payable and similar charges	4,888	-	4,888
1,053	-	1,053	Net Interest on the net defined benefit liability	1,199	-	1,199
-	(937)	(937)	Interest receivable and similar income	-	(1,228)	(1,228)
669	(512)	157	Income and expenditure in relation to investment properties and changes in their fair value	1,666	(553)	1,113
200	-	200	Financial Instrument Revaluations Income / Expenditure	1,105	-	1,105
<b>6,691</b>	<b>(1,449)</b>	<b>5,242</b>	<b>Total</b>	<b>8,858</b>	<b>(1,781)</b>	<b>7,077</b>

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

Gross Income		Gross Income
2018/19		2019/20
£000		£000
(10,259)	Council Tax income	(10,707)
(4,931)	Non-ringfenced Government Grants	(6,077)
(3,977)	Non-domestic rates income and expenditure	(2,464)
(1,795)	Capital Grants and Contributions	(5,721)
<b>(20,962)</b>	<b>Total</b>	<b>(24,969)</b>

## 13. Property, Plant and Equipment

Movements on Balances								
Movements in 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2019</b>	<b>387,206</b>	<b>87,012</b>	<b>10,334</b>	<b>2,437</b>	<b>8,162</b>	<b>629</b>	<b>434</b>	<b>496,214</b>
Additions	14,934	1,097	1,230	22	113	-	5,411	22,807
Revaluation increases / (decreases) recognised in the Revaluation Reserve	815	510	-	-	-	(12)	-	1,313
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	890	17	-	-	-	-	-	907
Derecognition - disposals	(1,946)	(33)	-	-	-	-	-	(1,979)
Assets reclassified (to) / from Other Accounts	220	-	-	-	-	-	(306)	(86)
Other movements in cost or valuation				-	-		(655)	(655)
<b>At 31 March 2020</b>	<b>402,119</b>	<b>88,603</b>	<b>11,564</b>	<b>2,459</b>	<b>8,275</b>	<b>617</b>	<b>4,884</b>	<b>518,521</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2019	-	(4,641)	(7,599)	(436)	(524)	(313)	(5)	(13,518)
Depreciation charge for 2019/20	(5,374)	(2,779)	(455)	(62)	(48)	(29)	-	(8,747)
Depreciation written out to the Revaluation Reserve	5,274	69	-	-	-	-	-	5,343
Depreciation written out to the Surplus / Deficit on the Provision of Services	100	26	-	-	-	-	-	126
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>-</b>	<b>(7,325)</b>	<b>(8,054)</b>	<b>(498)</b>	<b>(572)</b>	<b>(342)</b>	<b>(5)</b>	<b>(16,796)</b>
<b>Net Book Value</b>								
<b>31 March 2020</b>	<b>402,119</b>	<b>81,278</b>	<b>3,510</b>	<b>1,961</b>	<b>7,703</b>	<b>275</b>	<b>4,879</b>	<b>501,725</b>
<b>31 March 2019</b>	<b>387,206</b>	<b>82,371</b>	<b>2,735</b>	<b>2,001</b>	<b>7,638</b>	<b>316</b>	<b>429</b>	<b>482,696</b>

Movements on Balances								
Movements in 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2019</b>	<b>387,206</b>	<b>87,012</b>	<b>10,334</b>	<b>2,437</b>	<b>8,162</b>	<b>629</b>	<b>434</b>	<b>496,214</b>
Additions	14,934	1,097	1,230	22	113	-	5,411	22,807
Revaluation increases / (decreases) recognised in the Revaluation Reserve	815	510	-	-	-	(12)	-	1,313
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	890	17	-	-	-	-	-	907
Derecognition - disposals	(1,946)	(33)	-	-	-	-	-	(1,979)
Assets reclassified (to) / from Other Accounts	220	-	-	-	-	-	(306)	(86)
Other movements in cost or valuation				-	-		-	-
<b>At 31 March 2020</b>	<b>402,119</b>	<b>88,603</b>	<b>11,564</b>	<b>2,459</b>	<b>8,275</b>	<b>617</b>	<b>5,539</b>	<b>519,176</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2019	-	(4,641)	(7,599)	(436)	(524)	(313)	(5)	(13,518)
Depreciation charge for 2019/20	(5,374)	(2,779)	(455)	(62)	(48)	(29)	-	(8,747)
Depreciation written out to the Revaluation Reserve	5,274	69	-	-	-	-	-	5,343
Depreciation written out to the Surplus / Deficit on the Provision of Services	100	26	-	-	-	-	-	126
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>-</b>	<b>(7,325)</b>	<b>(8,054)</b>	<b>(498)</b>	<b>(572)</b>	<b>(342)</b>	<b>(5)</b>	<b>(16,796)</b>
<b>Net Book Value</b>								
<b>31 March 2020</b>	<b>402,119</b>	<b>81,278</b>	<b>3,510</b>	<b>1,961</b>	<b>7,703</b>	<b>275</b>	<b>5,534</b>	<b>502,380</b>
<b>31 March 2019</b>	<b>387,206</b>	<b>82,371</b>	<b>2,735</b>	<b>2,001</b>	<b>7,638</b>	<b>316</b>	<b>429</b>	<b>482,696</b>

## Depreciation

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

- Council houses – component depreciation up to 75 years, changed from 60 years last year following confirmation from Carter Jonas.
- Other land and buildings - 5 to 80 years
- Vehicles, plant, furniture and equipment - 3 to 21 years
- Infrastructure - 40 years
- Community Assets – up to 100 years

## Capital Commitments and Planned Works 2019/20

As at 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years.

The major contractual commitments at 31 March 2020 are:

<b>General Fund</b>	<b>£000</b>
CCTV	353
<b>Housing Investment Programme</b>	<b>£000</b>
Purchase of properties	11,393
Construction of properties	9,615
Fire risk assessments	136

## Revaluations

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

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

As at 31 March 2020	Fair Value £000	Land £000	Buildings £000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	275	67	208	Direct observation of transactions involving similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>275</b>	<b>67</b>	<b>208</b>	

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

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

General Fund property values in the Balance Sheet are based on 1 April 2015, 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019 or 28 February 2020 valuations. Housing Revenue Account property values are based on 31 March 2020 valuations, undertaken at 20 February 2020.

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	3,510	1,961	7,703	-	4,879	18,054
Valued at fair value as at:								
- 2019/20	402,119	10,708	-	-	-	147	-	412,973
- 2018/19	-	58,596	-	-	-	128	-	58,724
- 2017/18	-	8,742	-	-	-	-	-	8,742
- 2016/17	-	2,587	-	-	-	-	-	2,587
- 2015/16	-	646	-	-	-	-	-	646
<b>Total Cost or Valuation</b>	<b>402,119</b>	<b>81,278</b>	<b>3,510</b>	<b>1,961</b>	<b>7,703</b>	<b>275</b>	<b>4,879</b>	<b>501,725</b>

It should be noted that the total figure in the table on this page does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £30k. This difference relates to the balance outstanding at 31 March 2020 on the Colour Copier and Dog Wardens Van Finance leases which is not included in the table above.

#### 14. Heritage Assets

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

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

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

##### **Decorative Arts & Visual Arts Collections**

The majority of the Council's collections of Decorative Arts (ceramics, porcelain, glass and other artefacts of a similar nature) and Visual Arts (paintings and drawings) were revalued by Tim Ritchie & Associates in February 2020. Those items not externally valued due to their low intrinsic worth were assigned an internal nominal value of £50. The policy is to revalue the collections every 5 years with the next valuation due February 2025.

##### **Other**

This comprises the remainder of the Art Gallery and Museum's collections (Archaeology, Ethnography, Numismatics, Pictorial and Social History) and also the Abbey Fields Barn. In the case of the Art Gallery and Museum's collections some articles were valued externally as part of the February 2020 revaluation exercise referred to above but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff. During 2019/20, items amounting to £310 have been added to the Social History collection, all of which were of low intrinsic value. Items amounting to £38,100 have been added to the Fine Art Collection which includes two paintings valued at £8,000 and £4,500 each.



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

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

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

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

	Decorative Arts Collection	Visual Arts Collection	Other	Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>At 1 April 2019</b>	<b>332</b>	<b>6,952</b>	<b>1,031</b>	<b>8,315</b>
Additions	-	38	-	38
Revaluation	(14)	644	26	656
Other Movements in Cost or Valuation	-	-	-	-
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(4)	(4)
<b>At 31 March 2020</b>	<b>318</b>	<b>7,634</b>	<b>1,053</b>	<b>9,005</b>
<b>At 1 April 2018</b>	<b>331</b>	<b>6,923</b>	<b>1,017</b>	<b>8,271</b>
Additions	1	25	18	44
Other Movements in Cost or Valuation	-	4	-	4
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(4)	(4)
<b>At 31 March 2019</b>	<b>332</b>	<b>6,952</b>	<b>1,031</b>	<b>8,315</b>

A summary of Heritage Assets transactions is shown below:

	2019/20 £'000	2018/19 £'000
<b>Cost of Acquisitions of Heritage Assets:</b>		
<b>Purchases:</b>		
Visual Arts	6	8
Social History	-	2
<b>Donations:</b>		
Decorative Arts	-	1
Visual Arts	32	17
Social History etc.	-	15
<b>Total Cost of Acquisitions</b>	<b>38</b>	<b>43</b>
<b>Revaluation of Heritage Assets:</b>		
Decorative Arts	-	14
Visual Arts	644	4
Social History	26	-
<b>Total Revaluations</b>	<b>656</b>	<b>4</b>

## 15. Investment Properties

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

	2019/20	2018/19
	£000	£000
Rental income from investment property	553	512
Direct operating expenses arising from investment property	(934)	(635)
<b>Net gain / (loss)</b>	<b>(381)</b>	<b>(123)</b>

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

	2019/20	2018/19
	£000	£000
<b>Balance at start of the year</b>	<b>10,966</b>	<b>11,000</b>
Net gains / (losses) from fair value adjustments	(732)	(34)
<b>Balance at end of year</b>	<b>10,234</b>	<b>10,966</b>

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

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

As at 31 March 2020	Fair Value £000	Land £000	Buildings £000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	Direct observation of the passing rents on similar properties within the local property market.
2 - inputs other than quoted market prices	10,234	2,203	8,031	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>10,234</b>	<b>2,203</b>	<b>8,031</b>	
As at 31 March 2019	Fair Value £000	Land £000	Buildings £000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	Direct observation of the passing rents on similar properties within the local property market.
2 - inputs other than quoted market prices	10,966	2,637	8,329	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>10,966</b>	<b>2,637</b>	<b>8,329</b>	

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

## 16. Financial Instruments

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

Financial Assets	Non Current				Current				TOTAL	
	Investments		Debtors		Investments		Debtors		TOTAL	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value through profit and loss	5,121	6,233	-	-	22,437	31,959	-	-	27,558	38,192
Amortised cost	-	3,017	6,725	6,071	43,657	27,795	6,785	8,318	57,167	45,201
<b>Total</b>	<b>5,121</b>	<b>9,250</b>	<b>6,725</b>	<b>6,071</b>	<b>66,094</b>	<b>59,754</b>	<b>6,785</b>	<b>8,318</b>	<b>84,725</b>	<b>83,393</b>

Financial Liabilities	Non Current				Current				TOTAL	
	Borrowings		Creditors		Borrowings		Creditors		TOTAL	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(148,185)	(136,201)	-	-	(2)	(3)	(19,410)	(16,227)	(167,597)	(152,431)
<b>Total</b>	<b>(148,185)</b>	<b>(136,201)</b>	<b>0</b>	<b>0</b>	<b>(2)</b>	<b>(3)</b>	<b>(19,410)</b>	<b>(16,227)</b>	<b>(167,597)</b>	<b>(152,431)</b>

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

The Council has no financial liabilities designated as Fair Value Through Profit and Loss, but the table below lists the Council's financial assets designated as Fair Value Through Profit and Loss at 31 March 2020, together with the maximum exposure and potential change in fair value associated with the credit risk relevant to the particular asset. With regard to the two equity funds, it is considered that current market prices are an appropriate reflection of credit risk hence no potential change in fair value is shown. No derivatives have been entered into in order to mitigate any potential losses through credit risk.

FINANCIAL INSTRUMENTS THROUGH PROFIT AND LOSS					
Asset	Rating	Exposure at 31 March 2020	Maximum Exposure	Credit Default Risk	Maximum potential change in fair value through credit risk
		£000	£000		£000
Federated Money LVNAV Market Fund	AAAm / Aaa-mf / AAAMmf	3,263	10,000	0.04%	4
Federated Cash Plus VNAV Account	AAAf S1 / Aaa-bf / AAA/V1	6,046	6,000	0.04%	2
Deutsche Global LVNAV MMF	AAAm / Aaa-mf / AAAMmf	3	10,000	0.04%	4
Aberdeen/Standard Life (Ignis) LVNAV Money Market Fund	AAAm / Aaa-mf / AAAMmf	2,995	10,000	0.04%	4
Goldman Sachs LVNAV Money Market Fund	AAAm / Aaa-mf / AAAMmf	12	10,000	0.04%	4
Royal London Cash Plus VNAV Money Market Fund	AAAf S1 / Aaa-bf / AAA/V1	6,029	6,000	0.04%	2
Invesco LVNAV Money Market Fund	AAAm / Aaa-mf / AAAMmf	56	10,000	0.04%	4
Royal London Equity Income Fund	Low Risk	2,553	4,000	N/A	-
Threadneedle Equity Income Fund	Low Risk	2,569	4,000	N/A	-
Standard Chartered CD	A+	4,032	7,000	0.05%	4
<b>Total</b>		<b>27,558</b>	<b>77,000</b>		<b>28</b>

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

## Income, Expense, Gains and Losses

	31 March 2020	31 March 2020	31 March 2019	31 March 2019
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
<b>Net gains / (losses) on:</b>				
Financial assets at fair value through profit and loss	(1,105)	-	(200)	-
<b>Total net gains or (losses)</b>	<b>(1,105)</b>	<b>-</b>	<b>(200)</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	655	-	605	-
Other financial assets measured at fair value through profit or loss	302	-	320	-
<b>Total interest revenue</b>	<b>957</b>	<b>-</b>	<b>925</b>	<b>-</b>
<b>Interest expense</b>				
<b>Fee expense:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	(4,888)	-	(4,769)	-
<b>Total fee expense</b>	<b>(4,888)</b>	<b>-</b>	<b>(4,769)</b>	<b>-</b>

## Fair Values of Assets and Liabilities

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

- For investments the prevailing benchmark market rates have been used to provide fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of debtors and creditors is taken to be the invoiced or billed amount.

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

	Input Level in Fair Value Hierarchy	Valuation Techniques Used to Measure Fair Value	31 March 2020 £000	31 March 2019 £000
<b>Financial Assets - Fair Value through Profit and Loss</b>				
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	5,121	6,234
Money Market Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	18,404	25,615
Certificates of Deposit, Bonds, etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	4,032	6,344
<b>Total</b>			<b>27,557</b>	<b>38,193</b>

Non-current Investments of £5.121m in the Balance Sheet comprise of £5.121m corporate equity funds as shown in the table above.

Current investments of £66.093m are made up of £18.404m of money market funds and £4.032m of certificates of deposit investments, as shown in the table above, as well as £43.657m simple deposits at amortised cost.

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

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

The Council's certificate of deposit investments has been revalued in the accounts to fair value at 31 March 2020 using prices supplied by its custodians, King & Shaxson Ltd., at 31 March 2020. As these prices directly relate to these investments within an active market it is considered that the prices supplied by King & Shaxson (which is the "mid-price" at 31 March for each individual investment) are on a Level 1 basis.

The Council took out £136.157m in PWLB fixed interest rate long term loans with varying maturities of between 41 and 50 years on the 28 March 2012, in order to fulfil its obligations under the new HRA self-financing regime. A further £12m was taken in 2019/20 for General Fund purposes with a maturity to 28 August 2059. Although PWLB non-current loans are carried in the balance sheet at amortised cost, the Council is required to disclose the fair value of these loans. This requires a calculation of the net present value of the cash flows that are scheduled to take place over the remaining life of each loan. The fair value of these loans will be different to the amortised cost if prevailing interest rates differ from those applicable to the loans when taken out.

The introduction of IFRS 13 requires that the fair value should be calculated using two different interest rates - the PWLB redemption rate and the PWLB certainty rate. The Council's Treasury Management consultants, Link Asset Services, has calculated the required fair values of these PWLB loans at 31 March using the PWLB redemption rate and these are £289.666m. The difference between this figure and the £148.157m carried in the balance sheet represents the premiums that would be charged for early redemption of the loans as the current interest rates are below those in force when the borrowing took place in March 2012 and September 2019. However, the Council has a continuing ability to borrow from the PWLB at its certainty rate and on this basis the fair value of the £148.157m is £179.903m including potential premiums of £31.688m, plus accrued interest. IFRS 13 requires disclosure of the valuation method by which the fair value is arrived at. There are three levels of inputs and in this instance Link Asset Services has adopted a Level 2 input basis i.e. "inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly".

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

The Fair Values are calculated as follows:

Financial Assets	31 March 2020		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Short-term investments	43,657	43,657	27,795	27,795
Long-term investments	-	-	3,017	3,017
Short-term debtors	6,785	6,785	8,306	8,306
Long-term debtor	6,725	6,725	6,071	6,071
<b>Total Financial Assets</b>	<b>57,167</b>	<b>57,167</b>	<b>45,189</b>	<b>45,189</b>

Financial Liabilities	31 March 2020		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	(148,157)	(179,904)	(136,157)	(179,169)
Short-term creditors	(19,410)	(19,410)	(16,227)	(16,227)
Short-term finance lease liability	(2)	(2)	(3)	(3)
Long-term finance lease liability	(28)	(28)	(44)	(44)
<b>Total Financial Liabilities</b>	<b>(167,597)</b>	<b>(199,344)</b>	<b>(152,431)</b>	<b>(195,443)</b>

## 17. Assets Held for Sale

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

	2019/20	2018/19
	£000	£000
<b>Balance outstanding at start of year</b>	<b>84</b>	122
Assets newly classified as held for sale:		
- Property, Plant and Equipment	<b>86</b>	84
Assets sold	<b>(84)</b>	(122)
<b>Balance outstanding at year-end</b>	<b>86</b>	<b>84</b>

## 18. Debtors

Debtors are amounts due to the Council:

	31 March 2020	31 March 2019
	£000	£000
Trade receivables	3,458	2,935
Prepayments	156	201
Other receivable amounts :-		
External funding	1,003	723
VAT	1,254	1,118
Business Rates/Council Tax etc	493	2,803
Investments	1	1
<b>Total Debtors</b>	<b>6,365</b>	<b>7,781</b>

## 19. Debtors for Local Taxation

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

	31 March 2020	31 March 2019
	£000	£000
Less than three months	3,177	2,963
Three to six months	1,018	757
Six months to one year	593	744
More than one year	885	844
<b>Total Debtors</b>	<b>5,673</b>	<b>5,308</b>

## 20. Cash and Cash Equivalents

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

	31 March 2020	31 March 2019
	£'000	£'000
Cash held by the Council	51	5
Bank current accounts	95	412
Money Market deposits	29,967	26,949
<b>Total Cash and Cash Equivalents</b>	<b>30,113</b>	<b>27,366</b>

## 21. Creditors

Creditors are amounts owed to others by the Council:

	31 March 2020	31 March 2019
	£000	£000
Trade payables	(3,951)	(8,228)
Other payable amounts :-		
External Funding	(3,934)	(680)
Business Rates, Council tax etc	(6,184)	(9,141)
Investments	(21)	(3)
<b>Total Creditors</b>	<b>(14,090)</b>	<b>(18,052)</b>

## 22. Provisions

Provisional Liabilities Payable in More Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
<b>Balance at 1 April 2019</b>	<b>2,820</b>	<b>223</b>	<b>275</b>	<b>3,318</b>
Additional provisions made in 2019/20	-	-	53	<b>53</b>
Unused amounts reversed in 2019/20	-	(5)	-	<b>(5)</b>
Amounts payable < 1 year transferred to short term provision	-	(23)	(57)	<b>(80)</b>
<b>Balance at 31 March 2020</b>	<b>2,820</b>	<b>195</b>	<b>271</b>	<b>3,286</b>

Provisional Liabilities Payable in Less Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
<b>Balance at 1 April 2019</b>	<b>1,400</b>	<b>33</b>	<b>38</b>	<b>1,471</b>
Additional provisions made in 2019/20	2,250	-	-	<b>2,250</b>
Amounts used in 2019/20	-	(26)	(55)	<b>(81)</b>
Amounts payable < 1 year transferred from long term provision	(1,350)	23	57	<b>(1,270)</b>
<b>Balance at 31 March 2020</b>	<b>2,300</b>	<b>30</b>	<b>40</b>	<b>2,370</b>

### Business Rates Appeals

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

### Insurances

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



## 23. Unusable Reserves

31 March 2019		31 March 2020
£000		£000
96,514	Revaluation Reserve	102,356
788	Deferred Capital Receipts Reserve	788
(299)	Financial Instruments Revaluation Reserve	(1,404)
252,822	Capital Adjustment Account	266,772
(12)	Financial Instruments Adjustment Account	(12)
(48,466)	Pensions Reserve	(40,891)
929	Collection Fund Adjustment Account	(1,629)
(308)	Accumulated Absences Account	(325)
<b>301,967</b>	<b>Total Unusable Reserves</b>	<b>325,655</b>

### Revaluation Reserve

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

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

2018/19		2019/20	
£000		£000	£000
<b>81,155</b>	<b>Balance at 1 April</b>		<b>96,514</b>
19,632	Upward revaluation of assets	7,712	
(3,280)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(827)	
<b>16,352</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>6,885</b>
-	Recognition of Heritage Assets on Donation		
(790)	Difference between fair value depreciation and historical cost depreciation	(775)	
(203)	Accumulated gains on assets sold or scrapped	(268)	
<b>(993)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(1,043)</b>
<b>96,514</b>	<b>Balance at 31 March</b>		<b>102,356</b>

## Deferred Capital Receipts Reserve

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

2018/19		2019/20
£000		£000
788	Balance at 1 April	788
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	-
<b>788</b>	<b>Balance at 31 March</b>	<b>788</b>

## Financial Instruments Revaluation Reserve

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

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

2018/19		2019/20
£000		£000
(99)	Balance at 1 April	(299)
-	- Upward revaluation of investments	-
-	- Downward revaluation of investments	-
(200)	Change in impairment loss allowances	(1,105)
<b>(299)</b>	<b>Balance at 31 March</b>	<b>(1,404)</b>

## Capital Adjustment Account

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

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

Note 6 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19		2019/20	
£000		£000	£000
<b>254,210</b>	<b>Balance at 1 April</b>		<b>252,820</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,287)	- Charges for depreciation and impairment of non-current assets	(8,751)	
(5,846)	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	1,414	
(1)	- Amortisation of intangible assets	-	
(663)	- Revenue expenditure funded from capital under statute	(5,049)	
(1,881)	- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(2,079)	
<b>(17,678)</b>			<b>(14,465)</b>
203	Accumulated gains on assets sold or scrapped		268
790	Difference between fair value depreciation and historical cost depreciation		776
<b>(16,685)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(13,421)</b>
	<b>Capital Financing applied in the year:</b>		
1,814	- Use of the Capital Receipts Reserve to finance new capital expenditure	3,641	
7,760	- Use of the Major Repairs Reserve to finance new capital expenditure	7,624	
1,322	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,505	
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	-	
4,295	- Capital expenditure charged against the General Fund and HRA balances	11,041	
<b>15,191</b>			<b>27,811</b>
106	Minimum Revenue Provision		238
(34)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(732)
34	Removal of initial recognition of Donate Assets credited to the Comprehensive Income and Expenditure Statement		56
<b>252,822</b>	<b>Balance at 31 March</b>		<b>266,772</b>

## Pensions Reserve

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

2018/19		2019/20
£000		£000
(38,123)	Balance at 1 April	(48,466)
(7,500)	Remeasurements of the net defined benefit liability	12,123
(5,488)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,290)
2,645	Employer's pensions contributions and direct payments to pensions payable in the year	2,742
<b>(48,466)</b>	<b>Balance at 31 March</b>	<b>(40,891)</b>

## Collection Fund Adjustment Account

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

Council Tax	NNDR	Total		Council Tax	NNDR	Total
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
64	2,530	2,594	Balance at 1 April	159	770	929
95	(1,760)	(1,665)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(329)	(2,229)	(2,558)
159	770	929	<b>Balance at 31 March</b>	<b>(170)</b>	<b>(1,459)</b>	<b>(1,629)</b>

## Accumulated Absences Account

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

2018/19		2019/20	
£000		£000	£000
(287)	Balance at 1 April		(308)
287	Settlement or cancellation of accrual made at the end of the preceding year	308	
(308)	Amounts accrued at the end of the current year	(325)	
(21)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(17)
(308)	Balance at 31 March		(325)

## 24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19		2019/20
£000		£000
(440)	Interest received	(535)
4,767	Interest paid	4,865
3	Interest element of finance lease payments	2
4,329		4,332

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

2018/19		2019/20
£000		£000
(9,280)	Depreciation	(8,751)
(5,858)	Impairment & revaluations in consolidated income and expenditure	786
(1)	Amortisation of intangible assets	-
(102)	(Increase) / decrease in creditors	3,144
2,080	Increase / (decrease) in debtors	(3,353)
(108)	(Increase) / decrease in impairment for bad debt	(575)
-	Increase / (decrease) in inventories	4
(2,843)	Movement in pension liability	(4,548)
(1,863)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(2,030)
(721)	Other non-cash items charged to the net surplus or deficit on the provision of services	(982)
(18,696)		(16,305)

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

2018/19		2019/20
£000		£'000
(199)	Investment gains / (losses)	(1,380)
2,598	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,306
4,276	Any other items for which the cash effects are investing or financing cash flows	4,289
<b>6,675</b>		<b>6,215</b>

## 25. Cash Flow Statement – Investing Activities

2018/19		2019/20
£000		£000
27,683	Purchase of property, plant and equipment, investment property and intangible assets	24,133
38,052	Purchase of short-term and long-term investments	28,900
(2,598)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(3,306)
(37,050)	Proceeds from the sale of short-term and long-term investments	(28,452)
(4,456)	Other receipts from investing activities	(4,761)
<b>21,631</b>	<b>Net cash flows from investing activities</b>	<b>16,514</b>

## 26. Cash Flow Statement – Financing Activities

2018/19		2019/20
£000		£000
-	Cash receipts of short- and long-term borrowing	(12,000)
(616)	Other receipts from financing activities	2,807
16	Cash payments for the reduction of outstanding liabilities relating to finance leases	17
<b>(600)</b>	<b>Net cash flows from financing activities</b>	<b>(9,176)</b>

## 27. Reconciliation of Liabilities Arising from Financing Activities

	Non-cash changes				
	01 April 2019	Financing cash flows	Acquisition	Other non-cash changes	31 March 2020
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(136,157)	(12,000)	-	-	(148,157)
Short-term borrowings	-	-	-	-	-
Lease liabilities	(47)	17	-	-	(30)
<b>Total liabilities from financing activities</b>	<b>(136,204)</b>	<b>(11,983)</b>	<b>-</b>	<b>-</b>	<b>(148,187)</b>

## 28. Members' Allowances

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

Allowances	2019/20	2018/19
	£000	£000
Basic	236	247
Special Responsibility	70	74
Chair and Vice Chair Allowances	17	17
Co-Optees	-	1
Other Allowances (Travel, Subsistence, etc.)	2	1
<b>Total</b>	<b>325</b>	<b>340</b>

## 29. Officers' Remuneration

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

Post Title		Salary including Fees and Allowances	Pension Contribution	Total Remuneration including Pension Contribution
		£	£	£
Chief Executive	2019/20	138,377	27,122	165,499
	2018/19	110,175	21,594	131,769
Deputy Chief Executive	2019/20	91,473	17,929	109,402
	2018/19	89,679	17,577	107,256
Deputy Chief Executive	2019/20	93,342	18,295	111,637
	2018/19	89,679	17,577	107,256
Head of Finance	2019/20	80,647	15,807	96,454
	2018/19	79,066	15,497	94,563

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

Remuneration Band	2019/20		2018/19	
	Number of Employees		Number of Employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	5	-	4	2
£55,000 - £59,999	2	-	1	-
£60,000 - £64,999	4	-	3	-
£65,000 - £69,999	-	-	1	-
£70,000 - £74,999	2	1	-	-

### 30. Termination benefits

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

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £20,000	1	-	3	2	4	2	21,254	12,636
£20,001 - £40,000	2	1	-	1	2	2	59,142	58,132
£40,001 - £60,000	1	1	-	-	1	1	45,855	40,672
<b>Total</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>126,251</b>	<b>111,440</b>

### 31. External Audit Costs

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

	2019/20	2018/19
	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	49	41
Additional fees payable to Grant Thornton in respect of prior year external audit services	(1)	49
Audit Fee - Objections to Accounts	-	18
Fees payable to Grant Thornton for the certification of grant claims and returns	17	31
<b>Total</b>	<b>65</b>	<b>139</b>



### 32. Usable Reserves

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

31 March 2019		31 March 2020
£000		£000
20,813	General Fund Revenue Balance	23,073
32,295	Housing Revenue Account Balance	26,936
8,099	Major Repairs Reserve	6,500
8,509	Usable Capital Receipts Reserve	7,257
872	External Capital Grants / Contributions Unapplied	2,147
70,588	<b>TOTAL USABLE RESERVES</b>	65,913

### 33. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20	2018/19
	£000	£000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	(3,359)	(2,482)
Small Business Rate Relief	(2,644)	(2,044)
Revenue Support Grant	-	(307)
Brexit Preparation Grant	(35)	(17)
High Street Community Clean up Grant	-	(25)
Parks & Open Spaces Improvement Grant	-	(22)
Transparency Setup Grant	(16)	-
Self & Custom Build New Burdens Grant	(15)	(30)
Council Tax Annex Discount Grant	(6)	-
Brownfields Register & PIP LA	(2)	(4)
<b>Non Ringfenced Revenue Grants</b>	<b>(6,077)</b>	<b>(4,931)</b>
Housing Infrastructure Fund Grant - Kenilworth School	(3,576)	-
S106 Contributions	632	(536)
Community Infrastructure Levy	(1,713)	(438)
Pump Room Gardens Heritage Lottery Grant	(873)	(718)
English Sports Council Leisure Centre Grant	(60)	-
Heritage Assets Donations	(56)	(34)
Friends of Pump Room Gardens Contribution	(50)	(50)
CWLEP Bowling Green Grant	(19)	-
Czech Memorial Fountain Friends Contribution	-	(13)
Arts Grants	(6)	(6)
<b>Capital Grants and Contributions:</b>	<b>(5,721)</b>	<b>(1,795)</b>
<b>Total Grants Credited to Taxation &amp; Non Specific Grant Income</b>	<b>(11,798)</b>	<b>(6,726)</b>
<b>Credited to Services</b>		
DWP grants for Housing Benefits	(25,344)	(27,716)
Disabled Facilities Grant	(881)	(915)
Housing Benefit Administration Grant	(482)	(518)
Rough Sleeping Initiative	(396)	(316)
Parliamentary Elections	(369)	(7)
Homelessness Prevention	(329)	(300)
European Elections	(256)	-
Contribution towards NNDR Collection	(229)	(213)
Future Highstreet Fund Grant	(150)	-
Decentralisation & Neighbourhood Planning	(50)	(100)
Police & Crime Commissioner Grant	(44)	-
District Heating Network Grant	(39)	(35)
Individual Electoral Registration	(20)	-
Housing Advisors Program Expansion	-	(14)
LGA Improvement & Development Grant	-	(7)
Local Land Charges	(6)	-
External Wall Systems Data Collection Grant	(6)	-
LGA Cyber Training Grant	(5)	-
Heritage Lottery Grant Pump Room Gardens Revenue Events	(4)	-
Arts Pre Raph Grant	(4)	-
Electric Cars	(3)	-
Private Sector Housing - Letting & Landlords Grants	-	(1)
<b>Credited to Services</b>	<b>(28,617)</b>	<b>(30,142)</b>
<b>TOTAL GRANTS</b>	<b>(40,415)</b>	<b>(36,868)</b>

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

	2019/20	2018/19
	£'000	£'000
Conservation Grants	0	-
S106 Contributions towards social housing, sports & leisure facilities and play equipment	5,786	4,903
<b>Capital Grants, Contributions Held in Advance</b>	<b>5,786</b>	<b>4,903</b>

### 34. Related Party Transactions

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

#### Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides some of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2020 are included within the figures shown in the Grant Income note 33.

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

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in Defined Benefit Pension Schemes note 38.

#### Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2019/20 the precepts issued totalled £1.619m (2018/19 £1.523m). The major preceptors were:

Major Preceptors	2019/20 £000	2018/19 £000
Warwick Town Council	433	394
Royal Leamington Spa Town Council	378	362
Whitnash Town Council	202	197
Kenilworth Town Council	182	180

#### Council Members and Chief Officers:

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

Council Members have direct control over the Council's financial and operating policies. Grants totalling £3.891m (2018/19 £390,541) were paid to voluntary organisations in which 12 members had declared interest or held positions on the governing body. The grants were made with proper consideration of declarations of interest. The relevant members were excluded from any discussion or decision relating to the grants. The major grants awarded were:

Major Grants Awarded	2019/20 £000	2018/19 £000
Kenilworth School Multi Academy Trust - Relocation	3,576	100
Norton Lynsey Village Hall	101	85
Brunswick Healthy Living Centre	100	81
Citizens' Advice Bureau	90	100
Whitnash Town Council	77	153
Shakespeare's England	75	75
Warwickshire Community and Voluntary Action (CAVA)	50	56
Coventry & Warwickshire LEP	43	36
Warwick Town Council	35	41
The GAP	32	34
Sydenham Neighbourhood Initiatives	32	29
The Chain	30	29
Community Forum Grants	21	23
Hill Close Gardens Trust	20	20
Kenilworth Lawn Tennis and Squash Club	-	33

#### Leamington Business Improvement District:

The Council acts as an agent in respect of Leamington Business Improvement District (BID) whereby it collects the levy due on the BID's behalf - £0.405m in 2019/20 (£0.368m in 2018/19).

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

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

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

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

#### Losses Made by the Joint Venture:

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

Under IAS28, the Council will resume recognising its share of any future profits reported by the Joint Venture only after its share of the profits equals the share of the losses not recognised. PSP Warwick LLP reported losses in 2013/14 and each subsequent financial year. These losses total £0.766m as at 31 March 2020.

#### Critical Judgements in Assessing the Collaborative Activity:

The Council's collaborative activity is PSP Warwick LLP with PSP Facilitating Limited constitutes an arrangement under which there is joint control owing to the need for unanimous consent for reserved matters on the PSP Warwick LLP Operations Board. As the Council has a right to a share of the net assets, the collaborative arrangement is deemed to be a joint venture under accounting standards however the transactions in 2019/20 were not considered material so group accounts have not been prepared.

The PSP Warwick LLP Report and Financial Statements for the year ended 30 April 2019 can be obtained from the registered office: Synergy House, 114 - 118 Southampton Row, London, England, WC1B 5AA.

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

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

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

	2019/20	2018/19
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>156,081</b>	<b>144,866</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	22,806	20,216
Revenue Expenditure Funded from Capital Under Statute - Grants	5,049	663
Revenue Expenditure Funded from Capital Under Statute - Long-term loans	530	5,585
Finance Leases Principal	30	47
<b>Sources of Finance:</b>		
Capital Receipts	(3,641)	(1,812)
Government grants and other contributions	(5,505)	(1,322)
Major Repairs Reserve	(7,624)	(7,760)
Sums set aside from revenue	(11,041)	(4,296)
Minimum Revenue Provision	(238)	(106)
<b>Closing Capital Financing Requirement</b>	<b>156,447</b>	<b>156,081</b>
<b>Explanation of movements in year</b>		
Increase underlying need to borrow (unsupported by Government financial assistance)	366	11,215
<b>Increase in Capital Financing Requirement</b>	<b>366</b>	<b>11,215</b>

### **36. Leases**

#### **Authority as Lessor**

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

#### **Operating Leases**

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

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

	31 March 2020	31 March 2019
	£000	£000
Not later than one year	280	317
Later than one year and not later than five years	401	1,269
Later than five years	20	-
	<b>701</b>	<b>1,586</b>

### **37. Impairment/Revaluation Losses**

Enquiries made of Service Areas, the Asset Management Team and dialogue with our external valuers, Carter Jonas, did not reveal any new properties which were physically impaired and which therefore required revaluation during 2019/20 in order to reflect their reduced capacity to operate at previous levels. However, the Council is aware of a significant issue with the Royal Pump Rooms roof which will require a substantial sum of money (£1m+) spending on it in the relatively near future but this has not affected its ability to operate and the valuation in the balance sheet of this property reflects this issue. Following the postponement of its demolition, a condition survey was carried out in Summer 2019 on Covent Garden Multi Storey Car Park, with the survey indicating that were further impairment was required.

### **38. Defined Benefit Pension Schemes**

#### **Participation in Pension Schemes**

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

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

## Transactions Relating to Post-Employment Benefits

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

Comprehensive Income and Expenditure Statement	2019/20 £000	2018/19 £000
<i>Cost of Services:</i>		
- Current service cost	5,503	4,435
- Past service costs	588	-
- (Gain) / loss from settlements	-	-
Financing and Investment Income and Expenditure:	-	-
- Net interest expense	1,199	1,053
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,290</b>	<b>5,488</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	14,714	(5,553)
- Actuarial gains and losses arising on changes in demographic assumptions	(5,403)	-
- Actuarial gains and losses arising on changes in financial assumptions	(13,913)	13,075
- Other	(7,521)	(22)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,833)</b>	<b>12,988</b>
<b>Movement in Reserves Statement</b>		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(7,290)	(5,488)
<b>Actual amount charged against the General Fund and HRA Balances for pensions in the year:</b>		
Employer's contributions payable to scheme	2,742	2,645

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2019/20 £000	2018/19 £000
Present value of the defined benefit obligation	159,942	180,640
Fair value of plan assets	(119,051)	(132,174)
<b>Net liability arising from defined benefit obligation</b>	<b>40,891</b>	<b>48,466</b>

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

	2019/20 £000	2018/19 £000
<b>Opening fair value of scheme assets</b>	<b>132,174</b>	<b>124,383</b>
Interest income	3,160	3,341
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	(14,714)	5,553
The effect of changes in foreign exchange rates		
Contributions from employer	2,742	2,645
Contributions from employees into the scheme	812	749
Benefits paid	(5,123)	(4,497)
<b>Closing fair value of scheme assets</b>	<b>119,051</b>	<b>132,174</b>

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

	2019/20 £000	2018/19 £000
<b>Opening balance at 1 April</b>	<b>180,640</b>	<b>162,506</b>
Current service cost	5,503	4,435
Past service cost	588	-
Interest cost	4,359	4,394
Contributions from scheme participants	812	749
Remeasurement (gains) / losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	(5,403)	-
- Actuarial gains / losses arising from changes in financial assumptions	(13,913)	13,075
- Other experience	(7,521)	(22)
Benefits paid	(5,123)	(4,497)
<b>Closing balance at 31 March</b>	<b>159,942</b>	<b>180,640</b>



## Local Government Pension Scheme assets comprised:

	31 March 2020			31 March 2019		
	Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	1,661	-	1,661	1,868	-	1,868
Equity Securities (by industry type):						
- Consumer	-	-	-	6,361	-	6,361
- Manufacturing	-	-	-	2,626	-	2,626
- Energy and Utilities	-	-	-	158	-	158
- Financial Institutions	-	-	-	2,892	-	2,892
- Health and Care	-	-	-	3,136	-	3,136
- Information Technology	-	-	-	3,260	-	3,260
- Other	-	-	-	4,115	-	4,115
<b>Sub-total equity</b>	-	-	-	<b>22,547</b>	-	<b>22,547</b>
Debt Securities						
- Other	-	3,786	3,786	-	3,765	3,765
<b>Sub-total debt securities</b>	-	<b>3,786</b>	<b>3,786</b>	-	<b>3,765</b>	<b>3,765</b>
Property:						
- UK Property	11,634	-	11,634	14,428	-	14,428
- Overseas Property	10	-	10	22	-	22
<b>Sub-total property</b>	<b>11,645</b>	-	<b>11,645</b>	<b>14,450</b>	-	<b>14,450</b>
Private Equity:						
- All	-	5,697	5,697	-	6,728	6,728
Investment Funds and Unit Trusts:						
- Equities	68,242	-	68,242	49,796	-	49,796
- Bonds	18,292	-	18,292	21,761	-	21,761
- Hedge Funds	-	-	-	-	-	-
- Infrastructure	-	3,132	3,132	-	3,052	3,052
- Other	6,596	-	6,596	8,208	-	8,208
<b>Sub-total Investments</b>	<b>93,131</b>	<b>3,132</b>	<b>96,263</b>	<b>79,765</b>	<b>3,052</b>	<b>82,817</b>
<b>TOTAL ASSETS</b>	<b>106,436</b>	<b>12,615</b>	<b>119,051</b>	<b>118,630</b>	<b>13,544</b>	<b>132,174</b>

## Basis for Estimating Assets and Liabilities

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

The Warwickshire County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

		2019/20		2018/19	
<b>Long-term expected rate of return on assets in the scheme:</b>					
	Equity investments	2.3%		2.4%	
	Bonds	2.3%		2.4%	
	Property	2.3%		2.4%	
	Cash	2.3%		2.4%	
<b>Mortality assumptions:</b>					
	<b>Longevity at 65 for Current Pensioners:</b>				
	Men	21.6	years	22.5	years
	Women	23.8	years	24.7	years
	<b>Longevity at 65 for Future Pensioners</b>				
	Men	22.5	years	24.3	years
	Women	25.4	years	26.7	years
Rate of inflation		2.9%		3.5%	
Rate of increase in salaries		2.7%		3.1%	
Rate of increase in pensions		1.9%		2.5%	
Rate of discounting scheme liabilities		2.3%		2.4%	

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

	Increase in Assumption £000	Decrease in Assumption £000
Rate of increase in salaries (increase or decrease by 0.5%)	1,475	(1,475)
Rate of increase in pensions (increase or decrease by 0.5%)	12,877	(12,877)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	14,484	(14,484)

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis, with the triennial valuation based as at 31 March 2019.

The Council anticipates paying £2.617m expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2019/20 (17.6 years 2018/19).

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

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

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, together with written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit Risk

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

The decision by the UK to leave the EU resulted in a downgrading of the UK's sovereign credit rating which affected the credit risk within the Council's Investments portfolio. The United Kingdom has now left the EU as of January 2020, with the transition period due to end in December 2020. However, there is a danger that a no deal exit would worsen the UK's economic prospects and lead to a further downgrade in its sovereign rating. This potential impact is being actively monitored and the ongoing consequences will be factored into future Annual Investment Strategies, with subsequent approval from the Council.

The impact of the Coronavirus pandemic may also affect the UK's credit rating, as well as those within the Council's investment portfolio.

The credit criteria at 31 March 2020 in respect of investments held by the Council are:

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Portfolio at 31 March 2020 £000	Proportion of Portfolio at 31 March 2020
Specified instrument: (repayable within 12 months)	(FITCH or equivalent)						
UK Govt. / Local Authorities / Public Corporations / Nationalised Industries	n/a		n/a	£9m	365 days	10,000	14.0%
Bank - Private UK (includes Fixed Term Deposits, CD's and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£5m	365 days	1,000	1.4%
	F1	A+	UK Sovereign	£7m	365 days	27,500	38.4%
	F1	AA- & above	UK Sovereign	£8m	365 days	8,000	11.2%
Money Market Fund (LVNAV)	AAAm / Aaa-mf/AAAmmf		n/a	£10m	liquid	6,125	8.5%
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1		n/a	£6m	liquid	12,000	16.7%
Non-specified instruments							
Building Societies- assets >£500m	Unrated category C		n/a	£1m	3 months	1,000	1.4%
Corporate Equity Funds		N/A	Low Risk	£4m	10 years	6,000	8.4%
					Total	71,625	100.0%

Where appropriate the Council makes use of a credit checking agency so that customers for goods and services e.g. major contracts are assessed and suitable credit limits set.

At 31 March 2020, sundry debts outstanding stood at £2.403m of which £0.826m related to general debts and £1.577m to Housing Benefit and Council Tax Support overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.046m and £0.815m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.403m less £0.861m Credit Loss Allowances follows:

Warwick District Council has a substantial number of trade receivables. As the assets do not have a significant financing component, the loss allowance is based on the lifetime expected credit losses. The Council uses a provision matrix, based on historical observed rates over the lifecycle of trade receivables, adjusted for forward-looking estimates.

More than 1 year	100%
Current year	4.75%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount A £	Loss rate B	Lifetime expected credit losses A x B £
Over 1 year	7,200	100%	7,200
Current year	818,500	4.75%	38,900
		Loss allowance	46,100

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

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

01 - 03 months	25%		
04 - 06 months	40%		
07 - 09 months	45%		
10 - 12 months	50%		
Over 1 year	55%		
The loss allowance is calculated as follows:			
Lifecycle stage	Gross carrying amount	Loss rate	Lifetime expected credit losses
	A	B	A x B
	£		£
01 - 03 months	86,200	25%	21,600
04 - 06 months	60,400	40%	24,200
07 - 09 months	112,300	45%	50,500
10 - 12 months	128,200	50%	64,100
Over 1 year	1,190,000	55%	654,500
	Loss allowance		814,900

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

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

The Council has analysed the credit risk of the investments held at 31 March 2020 using the methodology recommended by its treasury advisers in order to comply with IFRS 9.

The calculated potential impairment of £17.5k equates to 0.02% of total investments of £71.215m. This has been assessed as being immaterial and no impairment of the investments has been made.

During 2019/20, the Council made long term loans for capital expenditure amounting to £530k to various organisations. Due diligence was carried out to ensure that the borrowers capacity to repay the loans plus interest in a timely manner was adequate. Repayments of the loans are being made according to the various repayment plans and consequently there is little or no expectation of any form of credit default and therefore no expected credit loss has been included in the accounts.

At 31 March 2020, outstanding arrears in respect of Council house rents and charges stood at £2.123m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.641m has been established.

## **Liquidity Risk**

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

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

## **Market Risk**

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

## **Interest Rate Risk**

The Council's external borrowing is made up of PWLB Fixed Rate Maturity loans with maturities of between 33 and 42 years and the average rate of the portfolio is 3.37%. This gives certainty in terms of interest payments but prevents the Council benefiting from any future reductions below this in interest rates.

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

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

The treasury management team has an active strategy for assessing interest rate exposure. According to this assessment strategy, based on the 2019/20 outturn a 0.25% movement upwards in interest rates

would have produced an additional £0.197m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

### **Price Risk**

The Council invests in Certificates of Deposits which are instruments where the price fluctuates. The Council manages this risk by only purchasing such investments with a relatively short term to run and by holding the investments to maturity thus nullifying the effect of price fluctuations as the investments are redeemed at par i.e. face value.

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

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

### **Contingent Liabilities**

As at 31 March 2020 the Council identified no contingent Liabilities. However, the liability in relation to the Pension Scheme Court Ruling has now been recognised as a past service cost in the Comprehensive Income and Expenditure Statement for 2019/20.

### **Contingent Assets**

As at 31 March 2020 the Council identified the following material contingent assets in relation to:

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

Delayed works relating to the 2017/18 Leisure Centre Refurbishment Project of Newbold Comyn and St Nicholas Park Leisure Centre's have resulted in legal proceedings being brought by the Council to a number of Utility Companies in an attempt to seek recompense for delayed works which resulted in financial penalties for the Council. The Penalties were paid by the Council to the Contractor completing the refurbishment works as per the contractual agreement in relation to delayed works.

Disclosure of an estimate of value for this legal challenge in the accounts may affect the negotiations and would be prejudicial to the Council and its contractor's commercial interests. It might also lead to an expectation which would prejudice the outcome of the Legal proceedings. For these reasons, no estimate of value has been disclosed.

#### **Business Rate Pooling – Local Volatility Fund**

Following the Local Government Finance Bill, with effect from 1 April 2013, the Council agreed to participate in the Warwickshire and Coventry Business Rates Pool consisting of the following Authorities:

- Coventry City Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-On-Avon District Council
- Warwick District Council
- Warwickshire County Council

Under the new legislation, 50% of business rates collected by the billing authority is retained locally, the other 50% is paid to the Government. The Locally retained business rates are then split 80% to the pool and 20% to Warwickshire County Council.

Part of the Memorandum of Understanding for the Warwickshire and Coventry Business Rates Pool allocates 25% of the benefit of being in the pool to be set aside in a Local Volatility Fund. This is to provide protection for Pool members from falls in business rate income. The Local Volatility Fund is held by Warwickshire County Council as the lead authority and a memo account is maintained for each authority.

As at the end of March 2020, Warwick District Council held £924k within the Fund. This would be released to us if our business rates income fell by more than 5% of our baseline funding level or if we left the pool or the pool dissolved.

The Housing Revenue Account (HRA) reflects the obligation to maintain a separate revenue account for the Council's housing provision. The HRA Income and Expenditure Statement shows the cost in the year of providing these housing services.

2018/19		2019/20	
£000		£000	£000
	<b>Expenditure</b>		
5,884	Repairs and Maintenance	6,347	
6,185	Supervision and Management	7,083	
301	Rents, Rates, Taxes and Other Charges	218	
205	Increased Provision for Bad Debts	469	
7,993	Depreciation and Impairment of Non-Current Assets	5,035	
-	Debt Management Costs	-	
-	Amortisation of Intangible Assets & Revenue Expenditure Funded from Capital Under Statute		
<b>20,568</b>	<b>Total Expenditure</b>		<b>19,152</b>
	<b>Income</b>		
(25,049)	Dwelling Rents	(25,348)	
(947)	Non-Dwelling Rents	(1,014)	
(971)	Charges for Services and Facilities	(1,005)	
(636)	Contributions Towards Expenditure	(732)	
<b>(27,603)</b>	<b>Total Income</b>		<b>(28,099)</b>
<b>(7,035)</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(8,947)</b>
74	HRA services' share of Corporate and Democratic Core		74
20	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		21
<b>(6,941)</b>	<b>Net Income for HRA Services</b>		<b>(8,852)</b>
(659)	Gain or Loss on sale of HRA non-current assets		(1,121)
4,765	Interest payable and similar charges		4,766
144	Net interest on the net defined benefit asset or liability		153
(335)	HRA Interest and Investment Income		(490)
(232)	Capital Grants and Contributions Receivable		-
<b>(3,258)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(5,544)</b>



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

2018/19		Notes	2019/20	
£000			£000	£000
1,425	Balance on the HRA at the end of the previous year			1,454
3,258	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	HRA I&E	5,544	
(1,527)	Adjustments between accounting basis and funding basis under statute	Main Notes 8	(10,902)	
1,731	<b>Net increase or (decrease) before transfers to or from reserves</b>		<b>(5,358)</b>	
(1,702)	Transfers (to) or from reserves	Main Note 9	5,387	
29	<b>Increase or (decrease) in year on the HRA</b>			<b>29</b>
1,454	<b>Balance on the HRA at the end of the current year</b>			<b>1,483</b>

## 1. Housing Stock

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

	31 March 2020	31 March 2019
	Nos.	Nos.
Houses	2,391	2,384
Flats	2,414	2,424
Bungalows	672	670
	<b>5,477</b>	<b>5,478</b>

The change in housing stock can be summarised as follows:

	2019/20	2018/19
	Nos.	Nos.
<b>Housing Stock at 1 April</b>	<b>5,478</b>	<b>5,483</b>
New build	25	-
Purchases		19
Reclassification from non-operational to operational stock	-	-
Conversions		1
Right to Buy sales	(26)	(25)
<b>Housing Stock at 31 March</b>	<b>5,477</b>	<b>5,478</b>

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

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

	1 April 2020	1 April 2019
	£000	£000
Council Dwellings	402,119	387,206
Other Properties	7,721	7,688
Land	294	291
Equipment	490	552
Assets Under Construction	5,249	306
Assets Held for Sale	86	84
<b>Total Balance Sheet Items</b>	<b>415,959</b>	<b>396,128</b>

## 3. Valuation of Dwellings

The 'vacant possession' value of dwellings represents the open market value of the housing stock, whilst the Balance Sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction to 40% of the market valuation) is the 'Economic Cost' of providing Council housing at less than open market rents.

	31 March 2020	31 March 2019
	£000	£000
Vacant Possession Value of Dwellings (Open Market Value)	996,127	962,429
Balance Sheet Value of Dwellings (Social Housing Value) (40% of Open Market Value)	(402,204)	(387,208)
<b>Economic Cost to Government</b>	<b>593,924</b>	<b>575,221</b>

#### 4. Summary of Capital Expenditure Funding Sources

	2019/20	2018/19
	£000	£000
Government Grant	46	-
Usable Capital Receipts	3,187	610
Revenue and Other Contributions	9,325	2,716
Major Repairs Reserve	7,624	7,761
<b>Total Capital Expenditure Funding</b>	<b>20,183</b>	<b>11,087</b>

#### 5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken on the 28th February as a proxy for the 31st March 2020 valuation by the Council's Valuer, Carter Jonas LLP. Revaluation gains of £7,079m were credited to the Housing Revenue Account Revaluation Reserve. There were no impairment charges for the financial year.

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

#### 6. Summary of Capital Receipts

	2019/20	2018/19
	£000	£000
Sale of Council Houses	3,048	2,554
Other Non RTB Sales	138	-
<b>Total Capital Receipts</b>	<b>3,185</b>	<b>2,554</b>

## 7. Depreciation of Fixed Assets

	2019/20	2018/19
	£000	£000
Council Dwellings	5,374	6,046
Other Buildings	588	522
Equipment	63	48
<b>Total Depreciation</b>	<b>6,025</b>	<b>6,616</b>

## 8. Arrears and Provision for Loss Allowances

	2019/20	2018/19
	£000	£000
<b>HRA Rent &amp; Charges Arrears</b>		
Current Tenant Rent Arrears	1,155	789
Former Tenant Rent Arrears	468	365
<b>Dwelling Rent Arrears</b>	<b>1,623</b>	<b>1,154</b>
Garage Rent Arrears	30	18
Supporting People Charge Arrears	24	28
Court Cost Arrears	157	153
Overpayment of Benefit Arrears	136	142
Other Arrears	153	123
<b>Total Arrears</b>	<b>2,123</b>	<b>1,618</b>
<b>Prepayments</b>		
Dwelling Rent Prepayments	(403)	(409)
Garage Rent Prepayments	(12)	(13)
Other Prepayments	(5)	(7)
<b>Total Prepayments</b>	<b>(420)</b>	<b>(429)</b>
<b>Net Arrears</b>	<b>1,703</b>	<b>1,189</b>
<b>HRA Bad Debt Provisions</b>		
Rent Bad Debt Provision	(1,430)	(1,035)
Court Cost Bad Debt Provision	(211)	(190)
<b>Total Bad Debt Provisions</b>	<b>(1,641)</b>	<b>(1,225)</b>

<b>Arrears as a proportion of gross rent net of housing benefit</b>	<b>2019/20</b>	<b>2018/19</b>
Current Tenant Rent Arrears	7.19%	5.72%
Net Arrears	9.70%	7.41%

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

2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
Income						
(95,062)	-	(95,062)	Council Tax Receivable	(101,891)	-	(101,891)
-	(71,516)	(71,516)	Business Rates Receivable	-	(68,792)	(68,792)
-	-	-	Transitional Protection Payments Receivable	-	(329)	(329)
(95,062)	(71,516)	(166,578)	Total Income	(101,891)	(69,121)	(171,012)
Expenditure						
Precepts and Demands:						
-	35,733	35,733	Central Government	-	33,577	33,577
72,805	7,146	79,951	Warwickshire County Council	79,576	6,715	86,291
10,890	-	10,890	The Office of the Warwickshire Police and Crime Commissioner	12,670	-	12,670
10,164	26,839	37,003	Warwick District Council	10,893	26,862	37,755
93,859	69,718	163,577		103,139	67,154	170,293
Distribution of earlier years' Collection Fund						
Surplus:						
-	193	193	Warwickshire County Council	1,024	382	1,406
-	964	964	Central Government	-	1,912	1,912
-	-	-	The Office of the Warwickshire Police and Crime Commissioner	153	-	153
-	2,519	2,519	Warwick District Council	143	1,530	1,673
-	3,676	3,676		1,320	3,824	5,144
Charges to the Collection Fund:						
299	370	669	Write-offs of uncollectable amounts	320	991	1,311
-	213	213	Warwick District Council: Cost of Collection Allowance	-	220	220
20	-	20	Increase / (Decrease) in Bad Debts Provision	190	220	410
-	1,492	1,492	Increase / (Decrease) in Provision for Appeals	-	2,250	2,250
-	362	362	Transitional Protection Payments payable	-	-	-
-	23	23	Renewable Energy Disregard	-	16	16
-	-	-	Interest payable	-	-	-
319	2,460	2,779		510	3,697	4,207
Movement On Fund:						
(884)	4,338	3,454	Net (Surplus) / Deficit for Year	3,078	5,554	8,632
(587)	(6,267)	(6,854)	(Surplus) / Deficit brought forward 1 April	(1,471)	(1,929)	(3,400)
(1,471)	(1,929)	(3,400)	(Surplus) / Deficit carried forward 31 March	1,607	3,625	5,232

## 1. General

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

## 2. Council Tax

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. These numbers are adjusted for various items. The number of properties for each band is then converted into a Band D equivalent by applying a designated ratio to arrive at the Council Tax Base. Individual charges are determined by dividing the demands and precepts of the Council, Warwickshire County Council and The Office of the Warwickshire Police and Crime Commissioner by the Council Tax base. The Council Tax base for 2019/20 was calculated as follows:

Band	Dwellings in Banding List	Disabled Persons Adjustments No of Cases	Less Exemptions Properties Affected	Less Discounts	Adjusted Amount for Council Tax	Ratio	Band D Equivalent Dwellings
@	-	11	-	(1.70)	9.30	5 / 9	5.17
A	4,855	17	263	(1,228.70)	3,906.30	6 / 9	2,604.20
B	11,995	45	604	(2,605.20)	10,038.80	7 / 9	7,807.96
C	17,463	12	534	(2,574.00)	15,435.00	8 / 9	13,720.00
D	12,752	(32)	330	(1,563.70)	11,486.30	9 / 9	11,486.30
E	7,475	(9)	361	(1,136.20)	6,690.80	11 / 9	8,177.64
F	5,052	(6)	100	(418.70)	4,727.30	13 / 9	6,828.32
G	4,121	(21)	35	(227.20)	3,907.80	15 / 9	6,513.00
H	430	(17)	6	(26.20)	392.80	18 / 9	785.60
	<b>64,143</b>	<b>-</b>	<b>2,233</b>	<b>(9,781.60)</b>	<b>56,594.40</b>		<b>57,928.19</b>
Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief							1,103.17
Less Council Tax Support Scheme							(3,454.19)
<b>Council Tax Base 2019/20</b>							<b>55,577.17</b>

### Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate.

The two multipliers set by Government are:

- The Small Business Non-Domestic Rate Multiplier of 49.1p for businesses with a rateable value of less than £51,000.
- The Non-Domestic Rate Multiplier of 50.4p for other businesses with a rateable value of £51,000 or greater.

The total rateable value of properties in the Warwick District area was £169,980,219 at 31 March 2020.

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

**Accruals**

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

**Actuarial Gain (Loss)**

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

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

**Agency**

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

**Amortisation**

The drop in the economic benefit value of capital assets as they become out of date or depreciate.

**Non-Current Asset**

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

**Band D Equivalent**

Council tax is a tax on domestic properties. Each domestic property is placed in a 'Band' from A to H, based on the capital value of that property in April 1991. Band D is the middle band and the other bands are weighted in relation to Band D (e.g. Band A is weighted 6/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produces the 'Band D Equivalent' number of properties.

**Best Value**

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

**Billing Authority**

This is the local authority which collects the council tax for its area. In shire counties the district or borough council is the billing authority.

**Budget**

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

**Business Rates (Non-Domestic Rates – NDR)**

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

**Business Rate Retention Scheme**

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

**Capital Adjustment Account**

A reserve set aside from revenue resources or capital receipts to fund capital expenditure, or the repayment of external loans and certain other capital financing transactions.

**Capital Programme**

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

**Capital Receipt**

Income from selling non-current assets. Capital receipts can be used to finance new capital expenditure or repay long term debt within rules set by central Government, but they cannot be used to finance day-to-day revenue spending.

**Capital Spending**

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

**Capital Spending Charged to Revenue**

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

**Cash-flow Statement**

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

**CIPFA**

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

**Collection Fund**

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

**Community Assets**

The class of fixed assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

**Component Depreciation**

Is a procedure in which the cost of a large item of property, plant and equipment is allocated to different components of the asset and each component is depreciated separately. This procedure is also referred to as componentisation.

**Contingent Asset**

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

**Contingent liability**

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

**Corporate and Democratic Core**

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



**Council Tax**

A tax charged on domestic householders based on which of eight Council Tax Bands their property falls into. There is a reduction for empty properties or if you live on your own. Since 1 April 2013 councils must have a council tax reduction scheme, which allows for council tax reductions of people, or classes of people, who are considered to be in financial need. In Warwickshire, the district or borough council issues council tax bills and collects the council tax. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

**Council Tax Base**

An assessment by each billing authority of the number of properties, converted to Band D equivalents (the average band), on which a tax can be charged. The calculation allows for new properties, exemptions, discounts, appeals and a provision for non-collection.

**Credit Rating**

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the entity being able to pay back a loan.

**Creditors**

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

**Current Assets**

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

**Current Liabilities**

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

**Current Service Cost**

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

**Current Spending**

The yearly running costs of local authorities, not including specific grants and the cost of acquiring non-current assets.

**Curtailment Costs**

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

**Debtors**

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

**Depreciation**

The drop in the economic benefit value of tangible non-current assets such as buildings and vehicles, which reflects wear and tear, age and obsolescence.

**Earmarked Reserves**

Money set aside for a specific purpose.

**Expected Credit Loss**

The probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of a financial instrument.

**Fair Value**

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

**Financial Instrument**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**General Fund**

The account that records and finances Council revenue expenditure, other than HRA.

**General Reserves**

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

**Government Grants**

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

**Gross Spending**

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

**Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Housing Revenue Account (HRA)**

A separate statutory account dealing with the revenue income and expenditure arising from the provision of Council-owned and managed dwellings.

**Impairment**

A reduction in the carrying value of a non-current asset as a result of a physical change in its condition, or a significant decline in its market value.

**Infrastructure Assets**

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways, drains and footpaths.

**International Financial Reporting Standards (IFRS)**

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

**Inventories**

Goods bought that have not yet been used. Also known as stock.

**Investments**

The purchase of financial instruments in order to receive income and/or make capital gain at a future time, however with the overriding concern being security of the initial sum invested.

**Investment Properties**

Land and/or buildings held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

**Liabilities**

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

**Loss**

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

**Material Related-Party Transactions**

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

**Materiality**

Information is material if its omission or misstatement, individually or collectively, could influence the decisions that users make on the basis of financial information about a specific reporting entity.

**Minimum Revenue Provision (MRP)**

The prudent minimum amount which the Council must set aside each year to repay loans and other long term liabilities such as finance leases. This has the effect of reducing the Capital Financing Requirement.

**Net Book Value (NBV)**

The balance sheet value of a non-current asset after depreciation and/or impairment.

**Net Spending**

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

**Non-Distributed Costs**

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

**Notional**

An accounting entry where there is no actual cash transfer.

**Operating Lease**

A type of lease, usually of computer equipment, vehicles, office equipment, etc., where the ownership of the goods and any risks and rewards remain with the lessor, therefore it is revenue expenditure and not capital expenditure.

**Overheads**

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

**Past Service Costs**

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

**Pensions Interest Cost and Expected Return on Assets**

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

**Petty Cash**

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

**Precept**

The demand levied by a non-billing authority (County Council, Police Authority, parish and town councils) on the Collection Fund managed by a billing authority (this Council) towards their annual spending.

**Property, Plant and Equipment (also known as Non-Current Assets)**

A physical (tangible) asset that is expected to be held for operational purposes for several years, such as land, buildings and vehicles.

**Provisions**

Amounts set aside to meet specific service liabilities of uncertain timing or amount and to meet spending.

**Prudential Code**

A statutory code of practice introduced on 1 April 2004 by Part 1 of the Local Government Act 2003, which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

**Rateable Value (RV)**

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

**Reconciliation**

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

**Reimbursements**

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

**Reserves and Funds**

Savings we have built up from surpluses that are carried forward to meet future obligations.

**Revaluation Reserve**

Store of gains on the revaluation of non-current assets.

**Revenue Spending**

Spending on the day-to-day running of services including salaries and wages, running expenses of buildings and equipment, contract payments, supplies and capital financing costs. These costs are met from council tax, business rates, Government grants, fees and charges.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

**Revenue Support Grant**

Traditionally the main Government grant to support local authority services. From 2019/20 onwards this reduces to nil for this Council.

**Soft Loans**

Loans made at less than the market rate of interest.

**Specific Grants**

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

**Surplus**

The remainder after taking away all expenses from income.

To follow

To follow

To follow



**WARWICK DISTRICT COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT 2019/20**

**1 INTRODUCTION**

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

**2 THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT**

- 2.1 This Statement provides a summarised account of how Warwick District Council’s management arrangements are set up to meet the principles of good governance set out in the Council’s Constitution, and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.
- 2.2 The format and scope of this Statement follows that prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

**3 THE COUNCIL’S GOVERNANCE FRAMEWORK**

- 3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 3.2 Warwick District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised
- 3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.
- 3.4 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled as well as its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- 3.5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore provide only reasonable, not absolute, assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE<sup>1</sup> Framework for Delivering Good Governance in Local Government (2016).
- 3.7 The Council's corporate strategy is set out in its Fit for the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved. The FFF programme is the key planning instrument for the Council. In February 2020 the Council adopted a new Business Strategy. The Strategy is based around five themes and will be used to identify and prioritise the work programme over the next three years.
- 3.8 Delivery of the Council's change programme is through the Service Area Plans, in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the Council's performance appraisal system. These include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and reported to the Overview & Scrutiny Committee. During the course of 2019/20, a new approach to performance management oversight was in development. Additional officer resource was recruited and it is envisaged that 2020/21 will see a full roll-out of the revised approach.
- 3.9 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Councillors' Codes of Conduct and protocols for councillor/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.10 The Constitution contains procedures, rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team<sup>2</sup> (CMT).
- 3.11 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.12 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.

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

<sup>2</sup> The Corporate Management Team comprises the Chief Executive and the two Deputy Chief Executives.

- 3.13 The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team<sup>3</sup>, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.
- 3.14 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
  - Head of Finance being a member of Leadership Team.
  - Head of Finance having responsibility for Asset Management.
- 3.15 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior councillors. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has been in place for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. These arrangements were confirmed within the review of the Senior Management Team<sup>4</sup> (SMT) during 2019.
- 3.16 For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. A thorough examination of the reasons for this was conducted by the Chief Executive. From this, a comprehensive plan of actions and initiatives was produced and monitored during the subsequent year. This was reported to Executive and Finance and Audit Scrutiny Committee on a monthly basis. Within the actions, additional financial training has been provided for all officers across the Council who contribute to the closure of the accounts. This led to procedural improvements that resulted in the financial statement for 2018/19 being produced on time and with no notable issues. Measures continue to be in place to ensure the Accounts for 2019/20 and future years comply with all the legal requirements and deadlines.
- 3.17 With regard to asset management, responsibility for this comes under the post of Head of Assets. This newly-created post was part of the recent Senior Management Team Review. This follows the requirement for the organisation to enhance the way it uses its assets and is one of the key areas of the Council's Business Strategy. As with all heads of services, the Head of Assets reports to one of the Deputy Chief Executives and is a member of the Senior Management Team.
- 3.18 The Executive provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 3.19 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.20 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.

<sup>3</sup> In the Council's case, this is likely to be the Corporate Management Team.

<sup>4</sup> The Senior Management Team comprises heads of services together with the members of CMT.

- 3.21 'Task and Finish' Groups, comprising solely councillors, are appointed by the Scrutiny Committees to examine various issues in detail. These Groups report back to their respective Scrutiny Committees with recommendations on improvements which are, when approved, taken forward.
- 3.22 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.
- 3.23 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by councillors annually.
- 3.24 The Council has embedded Risk Management throughout its arrangements with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.
- 3.25 Council services are delivered by staff with the appropriate skills, training and level of experience. Job Descriptions and Person Specifications are in place for all posts, and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.
- 3.26 The individual performance appraisal system has been operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Business Strategy and Fit for the Future change programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.27 In May 2019 a new Council was elected. A comprehensive training programme was delivered for all Councillors covering a range of subjects. Attendance at these was generally very good, as was feedback, and Group Leaders have been provided the attendance records to discuss within their Groups.
- 3.28 Following the Local Elections in May 2019 it was agreed by the Executive, after discussions with all Group Leaders, to review the Democratic Structure of the Council. A Governance Working Party was set up within the Council (comprising Group leaders plus an extra member from each of the Conservative, Lib Dems and Green Groups) and a series of workshops led by the Centre for Public Scrutiny (CfPS) was run. Following the third workshop, the draft notes from the meeting were passed to CfPS for them to consider. CfPS have considered these and wish to discuss the outcome with CMT before responding. After the CfPS have responded, the intention is for CMT to consider how the proposals could be supported by officers and the implications of these. This will be brought to the Working Party to take an informed view. The work on this, however, has paused at present due to responding to the Coronavirus pandemic.

- 3.29 In addition to this, the two Scrutiny Committees at their meetings in March 2020 were due to reflect on their work since May 2019 and what changes they could make, or what training they needed to help them prepare for their work in the next 12 months. This would have included detailed scrutiny of both the Business Plan for the Council and the Climate Change Emergency Action Plan, and how this could be incorporated alongside the planned work. The Committees were also to reflect on the value of the reports from each Service Area, being mindful that from 1 April 2020 the number of service areas was increasing from seven to ten. On that basis the scrutiny committees were to consider whether the arrangements provided value for money. An alternative approach would be for the committees to take a more Strategic approach by scrutinising the Business Plan instead.
- 3.30 The Council strives to be open and accessible to the community. All Council committee meetings are open to the public except where confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. All Council meetings that are held in the Council Chamber, such as the meetings of the Council's Executive, are now recorded. When identifying the priorities and objectives for the Strategic Plan, the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.
- 3.31 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.32 During the year the Council introduced the position of Performance Management Officer. Part of the role will be to monitor the information published on the website to ensure it meets the 2015 Local Government Transparency Code. The Council strives to publish information that is accessible and understandable to councillors and the public, and continues to seek to make improvements in this. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG).
- 3.33 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their Annual reports submitted to the April 2019 Council meeting. This included the continued work of a Task & Finish Group to look at the Role of the Chairman of the District Council, and the monitoring of the implementation of the recommendations from another Task & Finish Group regarding Houses in Multiple Occupation.
- 3.34 Internal Audit reviews were undertaken during 2019/20 on various aspects of governance, including reviews of the efficacy of the Service Assurance Statements, the fulfilment of ethical obligations in the Council's work and the effectiveness of Performance Management arrangements.

## **4 REVIEW OF EFFECTIVENESS**

- 4.1 Warwick District Council is required legally to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, annual service assurance statements completed by heads of services, and by the findings and reports issued by the external auditors and other review agencies and inspectorates.
- 4.2 More information on the arrangements that provide this assurance is set out below.



- 4.3 The Council's Monitoring Officer (one of the two Deputy Chief Executives) has responsibility for overseeing the implementation and operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, contemplating any changes that may be necessary to maintain it and ensure its effectiveness. All reports to Executive, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.
- 4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's finances. This includes responsibility for maintaining and reviewing the Code of Financial Practice, and Code of Procurement Practice to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. An updated Code of Procurement Practice was agreed by Council in December 2018. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.
- 4.5 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance and control environment, and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2019/20 has concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances set out on "service assurance statements" from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case the review was undertaken four years ago, well within the specified period for such reviews. Some minor shortcomings were identified that were promptly addressed. The findings of this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. An essential element of the assessment is to confirm that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case.
- 4.8 Grant Thornton was appointed as the Council's External Auditor for 5 years from 2018/19 to 2022/23 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2018/19 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources.

## **5 THE IMPACT OF THE CORONAVIRUS PANDEMIC**

- 5.1 On 23 March 2020, the Prime Minister made an unprecedented broadcast to the nation which in effect triggered a "lockdown" to limit the spread of coronavirus. An element of the lockdown instruction was that people would only be able to travel to work if it was necessary and the individual was unable to work from home. This had an immediate impact on the business of the Council; for both officers and Councillors.

- 5.2 In order to continue the delivery of services upon which our communities rely, a roll-out plan was developed to enable as many officers as possible to work from home and, where site visits were required, clear guidance was provided to staff to enable them to continue to provide essential services in a safe way that complies with social distancing guidance. In tandem with this, arrangements were made to enable the Council's Executive, Group Leaders and most senior officers to meet 'virtually' each Monday afternoon to provide the strategic oversight and direction for the Council at this most challenging of times.
- 5.3 Arrangements were also quickly put in place to enable the Chief Executive, in consultation with the Group Leaders, to make decisions on matters deemed to be an emergency. Shortly after this, Parliament put into law the Coronavirus Act 2020 which provided authority for the Secretary of State to make Regulations enabling Council committees to meet virtually. At the time of writing, the mechanics of how the virtual meetings will operate are still being developed. During the Interim period a temporary scheme of delegation was quickly also put in place to enable decisions relating to key services to be made; this includes, for instance, planning decisions that would otherwise have been determined by planning committee.
- 5.4 Whilst the situation persists the Senior Management Team is meeting every week to oversee the Council's response and ensure services are being delivered effectively. The Portfolio Holder for Finance – one of the Councillors on the Executive – is being briefed on an almost daily basis on the financial implications.
- 5.5 The pandemic has revealed many issues the Council will need to reflect on once business returns to a steady state, however, it is already clear that the possibilities provided by new technology need to be fully harnessed to improve, among other things, work-life balance, environmental impact and mental well-being of both officers and members. There also needs to be reflection on the governance structures of the Council and it is therefore apposite that the Council is currently part way through such a review which can be restarted once the lockdown situation is eased.
- 5.6 An immediate consequence for the Council of the lockdown has been the reduction in income from sources such as parking charges, planning fees and rent and service charges. Whilst it is not the remit of this statement to go into the detail of the impact, there will be issues of financial governance to reflect upon which must cover management, monitoring, review and scrutiny.
- 5.7 The financial implications from the pandemic are still being assessed up to the time of writing. These fall broadly into the following areas:
- Additional costs relating to the crisis.
  - Reduced service income as service provision and demand has reduced.
  - Impact upon 2020/21 Budget and Medium Term Financial Strategy, and Housing Revenue Account Business Plan.
  - Impact on individual Council projects and the capacity of the Council to undertake those projects in the short and medium term.

These need to continue to be assessed by officers throughout 2020/21 and be reported to members to help to inform the decision making process.

## **6 SIGNIFICANT GOVERNANCE ISSUES**

- 6.1 Last year's Annual Governance Statement included just one Significant Governance Issue. This related to the Council's failure to meet the statutory deadline for publication of its financial statements for 2017/18, although the Audited Accounts for 2018/19 were agreed by the statutory deadline. The actions originating from the 2017/18 Accounts have all now been completed. The Authority continues to ensure the preparation of the Accounts is given the priority it requires across the organisation.
- 6.2 The Coronavirus pandemic has raised issues about the Council's preparedness. Although most organisations are likely to have faced major challenges in responding to the Coronavirus pandemic, that does not in any way diminish the need for the Council to learn from the experience. In addition, there are financial challenges resulting from funding pressures.
- 6.3 The Council is therefore to include within the scope of its current governance review, the learning points from Council's response to the Coronavirus pandemic. Without pre-empting the learning points, it is clear that the following actions will be required: a deployment plan that enables rapid roll-out of homeworking; the testing of such a plan on a regular basis; amendments to the Council's Consultation to ensure that Committee meetings can continue should physical meetings not be possible.
- 6.4 In relation to the financial aspects, the General Fund Balance will be reviewed to determine whether it is adequate.

## **7 CERTIFICATION**

- 7.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

### **Signed:**

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Councillor Andrew Day  
Leader of the Council

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Christopher Elliott  
Chief Executive

### **Dated:**

21 September 2020

21 September 2020



Finance and Audit Scrutiny Committee  
30 September 2020

**Title:** Review of Work Programme and Forward Plan & Comments from the Executive

**Lead Officer:** Graham Leach

(T. 01926 456114 or E. [committee@warwickdc.gov.uk](mailto:committee@warwickdc.gov.uk))

**Portfolio Holder:** Not Applicable

**Public report**

**Wards of the District directly affected:** N/A

### 1. Summary

- 1.1. This report informs the Committee of its work programme for 2020/2021 Municipal Year (Appendix 1) and of the current [Forward Plan](#).

### 2. Recommendation

- 2.1. Members consider the work programme attached as Appendix 1 to the report.
- 2.2. The Committee to identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and
- 2.3. The Committee to consider their workload for the coming months, specifically how they can accommodate the work within their scheduled meetings.

### 3. Reasons for the Recommendation

- 3.1. The work programme as attached at Appendix 1 to the report should be updated at each meeting to accurately reflect the workload of the Committee. This has been updated to reflect the procurement review reports will now be shared with all Councillors and providing a chance to bring specific points from within that to Scrutiny, if they have concerns. In addition, the Workplan has had a further item added transferred from the Overview & Scrutiny Committee plan, in respect of project assurance for the new Financial Management, as it is more aligned with the work of this Committee.
- 3.2. Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.
- 3.3. If the Committee has an interest in a future decision to be made by the **Executive, or policy to be implemented, it is within the Committee's remit to feed into the process.**

- 3.4. The Forward Plan is actually the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which is to be taken by the Executive which they would like to be involved in, that Member(s) could then provide useful background to the Committee when the report is submitted to the Executive and they are passing comment on it.

#### **4. Background**

- 4.1. The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 4.2. The pre-decision scrutiny of Executive decisions falls within the role of **'holding to account'**. **To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and** identify items which it would like to have an impact upon.
- 4.3. **The Council's Forward Plan is published on a monthly basis and sets out the** key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions.
- 4.4. A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 4.5. The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.
- 4.6. There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.
- 4.7. The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.
- 4.8. At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Executive items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Executive, on the comments the Committee made on the Executive agenda in the previous cycle.
- 4.9. The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Executive decisions to be taken, if members so wish.
- 4.10. As part of the scrutiny process, the Committee is not considering the whole of the Executive agenda.

- 4.11. On the day of publication of the Executive agenda, all Councillors are sent an e-mail asking them to contact Committee Services, by 9.00am on the day of the Committee meeting to advise which Executive items they would like the Committee to consider.
- 4.12. If the Committee made a comment on an Executive report a response will be provided to the Committee at its next meeting. In reviewing these responses, Committee can identify any issues for which they would like a progress report. A future report, for example on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

# **Finance and Audit Scrutiny Committee WORK PROGRAMME**

**30 September 2020**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
External Audit Findings Report	Audit	Written report followed by Q&A	Mike Snow / Cllr Hales
Statement of Accounts 2019/20	Audit	Written report followed by Q&A	Andrew Rollins / Cllr Hales
IA Quarter 1 Progress Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
Anti-Fraud and Corruption Statement	Audit	Written report followed by Q&A	Richard Barr /Cllr Hales
AGS Quarter 1 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr / Andrew Day

**Appendix 1****11 November 2020**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
NFI Update	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
Corporate Fraud Update	Audit	Written report followed by Q&A	Andrew Wyatt / Cllr Hales
TM Half Year Review	Audit	Written report followed by Q&A	Richard Wilson /Cllr Hales
Use of Parent Companies Update Report	Audit	Written report followed by Q&A	Mike Snow / Cllr Hales

**9 December 2020**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Internal Audit Quarter 2 Progress Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
AGS Quarter 2 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Day

**Appendix 1****10 February 2021**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

**17 March 2021**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
IA Quarter 3 Progress Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
AGS Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Day
IA Strategic Plan (2021/22 to 2023/24 plan)	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales

**21 April 2021**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Update on Health & Community Protection and Finance Systems Replacements	Scrutiny	Written report followed by Q&A This procurement and project management assurance	Keith Eales Councillors Hales and Falp