

WARWICK DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2004/2005

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FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

The highlight of the year for the Council was being judged an Excellent Council as part of the Audit Commission's classification of Councils through the Comprehensive Performance Assessment Process. (CPA). This public recognition is the result of constant work by Councillors, staff and partners to provide quality services to the people of the District. We are not complacent and we constantly strive to improve.

We now have a system of Annual Portfolio Holder Statements that are agreed when we finalise our budget and are set out in our best value performance plan. These include a review of achievements in the past year and key actions for the next. The paragraphs below summarise some of the other highlights of 2004/05.

The introduction of new financial management practices enabled us to closely monitor the budget and we achieved an overall under spend of £214,000 (0.24% of the gross budget) . We achieved the highest ever collection rate in recent years for our Council Tax and Business Rates.

The new Community Plan has been worked up in consultation with our partners. We have been working with partners that we fund to have meaningful Service Level agreements giving greater clarity to our arrangements. We've also reviewed our small grants scheme. We've developed poverty maps with the County.

The Cultural Services have gone from strength to strength. New skate parks were opened at Newbold Comyn, St Nicholas Park and Castle Farm Playing fields. The Jephsons Gardens won the 'best park in Britain award' in the National Britain in Bloom competition, and the glasshouse has won several architectural awards. 30 Countries competed in the Women's World Bowls Championships that use our greens. We staged the National Disabled Swimming championships and the Midlands Area Masters swimming championships.

Much of our capital investment has been going on improving our underlying systems and we're now piloting electronic document management processing. Our website has been completely revamped and we've increased capacity for taking payments electronically via the Internet and free phone.

We've agreed a funding package to take the Spencer's Yard 'South Bank' cultural quarter hub scheme forward. In Kenilworth we've been working with the community to develop proposals for improving the town centre. We've increased CCTV surveillance and made improvements to our public toilets.

Half the households received a multi-material recycling service. We've employed an enforcement officer to take legal action against fly tipping and littering. We successfully completed the construction of the Gog Brook flood alleviation scheme protecting 42 properties from the risk of flooding. The second draft of the Local Plan has been prepared for consultation. We identified three areas where we need to work with the County to improve air quality.

In partnership with others we carried out an audit of crime and disorder and drugs misuse. We've appointed an anti-social behaviour officer to work in the community. We've produced an alcohol licensing policy and identified two saturation zones in Leamington.

In housing we opened a new control centre, the hub of 24/7 emergency response operation. We developed two more garage sites for affordable rented housing. We completed a Private Sector House Condition Survey and funded £430,000 of improvements to private dwellings and houses in multiple occupation. 12 of the 4 storey houses in multiple occupation were brought up to standard. Both our Strategy and Business Plan were passed as fit for purpose, which is the highest rating possible, and the Government formally approved our decision to retain our stock in house.

This has been a successful and busy year !

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

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FINANCIAL SUMMARY

1. General Fund Summary 2004/05

In February 2004 the Council approved a total net expenditure budget for 2004/05 of £13.5m (excluding Parish Precepts) and set a band D council tax for the district of £114.29. The following table shows how the net expenditure compared to the original estimates:

<u>General Fund Net Service Expenditure</u>	Original £'000	Actual £'000	Variation £'000
Democratic Representation and Management	1,014	1,067	53
Corporate Management	1,190	1,099	(91)
Central Services to the Public	627	760	133
Cultural and Related Expenses	6,532	6,869	337
Environmental Services	5,598	5,227	(371)
Planning and Development Services	2,778	2,122	(656)
Highways, Roads and Transport Services	284	802	518
Housing Services	1,074	1,093	19
Non Distributed Costs	393	215	(178)
TOTAL GENERAL FUND NET EXPENDITURE	19,490	19,254	(236)
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(5,533)	(5,561)	(28)
- Adjust Loan Repayments, RCCO and Interest Paid	(198)	(225)	(27)
Net External Interest Received	(666)	(936)	(270)
Revenue Contributions to Capital	1,381	697	(684)
Contributions to / (from) Reserves	(960)	71	1,031
NET EXPENDITURE FOR DISTRICT PURPOSES	13,514	13,300	(214)
Less Council Tax, RSG and NNDR Grants and Collection Fund Deficit	(13,514)	(13,514)	0
SURPLUS FOR YEAR	0	(214)	(214)

The main factors affecting the above statement are:

- Local Land Charge fee income fell by £153,000 from the original estimate as the number of searches reduced and Golf income was £50,000 down. These shortfalls were offset by increased fee income from other activities, notably from Development Control (£140,000 over estimate) and recycling income (£107,000).
- The Council spent over £400,000 on the Coventry Airport Planning Appeal. £45,000 of this expenditure was met by Government grant and £178,000 from the Council's Planning Reserve. The balance was an additional charge on the General Fund.
- Several initiatives and revenue programmes that were not completed during 2003/04, amounting to £215,000, were carried forward to 2004/05 as earmarked reserves. The expenditure on these items is included within the relevant service expenditure and the financing is by way of a contribution from the earmarked reserves. This has been offset by underspendings during 2004/05 of £712,000 which have been carried forward to 2005/06 as earmarked reserves.

FINANCIAL SUMMARY

General Fund Summary 2004/05 (continued)

- Interest received on the Council's investments was £270,000 greater than originally estimated. This reflected the council having larger balances to invest resulting from delays in capital projects, and greater receipts from the sales of assets.
- The Council has decided that it needs to maintain a balance of £1m on the General Fund and, accordingly, the surplus has been allocated (a) £6,000 to a Reserve to cover potential future Building Control work deficits, (b) £30,000 to a reserve to reduce the impact of the Collection Fund deficit on future years' Council Tax, and (c) £178,000 to the Planning Reserve for the potential costs of planning appeals and enquiries .

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

2. Housing Revenue Account 2004/05

In February 2004, the Council approved a total net deficit budget on Council Housing for 2004/05 of £519,700 which would result in an estimated average rent increase of £2.75 per week. The actual average rent of £53.60 for 2004/05 was an increase of £2.77 over the average rent of £50.83 for 2003/04.

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

<u>Housing Revenue Account</u>	<u>Original</u> <u>£'000</u>	<u>Actual</u> <u>£'000</u>	<u>Variation</u> <u>£'000</u>
Income	(17,285)	(17,304)	(19)
Expenditure	12,197	11,785	(412)
Capital Financing	5,586	5,506	(80)
Contribution to/(from) Reserves	22	95	73
(SURPLUS) / DEFICIT FOR YEAR	520	82	(438)

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£16.5m) and other charges (£0.8m). See pages 30 to 35 for more details.

3. Consolidated Balance Sheet

The Consolidated Balance Sheet reflects assets at their current value, totalling £402m. The Council has continued to maintain its debt-free status so as to take advantage of new freedoms arising from the introduction of the Prudential Borrowing Regime and the abolition of Part 4 of the Local Government and Housing Act 1989.

During 2004/05 net current assets increased by £6.5m from £12.2m to £18.7m. The main items being a reduction in debtors (-£1.2m), an increase in short term investments and loans (£9.20m), an increase in creditors (-£2.2m) and a decrease in cash overdrawn (£0.9m). The increase in short term investments is due to the authority holding an increased level of capital receipts and reserves.

A total of £10.4m is held in earmarked reserves. Of this total, £4.1m is held for housing improvement and £3.6m is held for future other capital investment. A further £3.6m is held for future major housing repairs. A full list of these reserves can be found on page 42.

FINANCIAL SUMMARY

4. Collection Fund

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

During 2004/05 £59.4m (£55.0m in 2002/2003) of Council Tax was collected. The precepts and demands on the Collection Fund were Warwickshire County Council (£46.9m), Warwick District Council (£5.8m), Warwickshire Police Authority (£6.4m) and Town and Parish Councils (£0.8m). After receiving payments totalling £235,000 towards deficits from previous years the Collection Fund had a deficit balance for the year of £1.0m. The deficit arose mainly due to the overestimation of new developments being completed within the year. The deficit will be recovered from the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (45.6p for 2004/05) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £47.6m of Business Rates (NNDR) was collected during 2004/05 (£45.0m in 2003/04). This money is passed to the Government which operates a National Pool whereby it redistributes the sums collected to all local authorities. This Council received a contribution of £3.5m for 2004/05 (£4.4m in 2003/04) from the National Pool. An allowance of £220,000 (£221,000 in 2003/04) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 47 to 49.

5. Capital Expenditure

Capital investment of £10.7m took place during the year - see pages 38 and 39 for a detailed list of the year's capital expenditure. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£4.8 million
- Housing Association Schemes	£0.7 million
- Leisure Projects	£0.8 million
- Regeneration Projects	£2.1 million
- e-government / ICT Strategy	£1.2 million
- Council Housing Energy Conservation Works	£0.2 million
- Private Sector Renewal and Disabled Facilities Grants	£0.5 million
- Conservation and Environment Projects	£0.1 million
- Traffic Schemes	£0.1 million

Major fixed assets disposed of during the year were:

- Sale of Council Houses and other Housing Revenue Account properties	£3.8 million
- Sale of land at Bread and Meat Close, Warwick	£2.8 million
- Sale of Saltisford Depot, Warwick	£1.2 million

6. Treasury Management

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

The Council continued to be debt free throughout 2004/05, having repaid its remaining external long term debt in 2003/04.

During 2004/05, net capital expenditure was financed from the Council's internal resources, such as usable capital receipts, reserves and revenue.

FINANCIAL SUMMARY

7. Euro Costs

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

8. Pension Costs

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

As at 31 March 2005 this Council's pension fund liability is £20.9m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2005/06 to 2010/11 the Council's contribution rate will increase to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in note 16 to the Consolidated Balance Sheet, note 4 to the Consolidated Revenue Account and note 3 in the Statement on the Total Movement in Earmarked Reserves.

FINANCIAL SUMMARY

GUIDE TO THE FINANCIAL STATEMENTS

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

- Page 11** **Consolidated Balance Sheet**
This statement shows the overall financial position of the Council as at 31 March 2005. It shows the assets and liabilities of the Council as a whole, including the Collection Fund.
- Page 23** **Consolidated Revenue Account**
This statement details the income and expenditure during the year on all revenue services, including the net position on the Housing Revenue Account. It also reflects appropriations to or from reserves and amounts used from revenue to finance capital expenditure.
- Page 30** **Housing Revenue Account**
This statement details the income and expenditure during the year on providing Council housing. The Council is required to provide a separate account for this service.
- Page 36** **Housing Repairs Account**
This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.
- Page 37** **Housing Major Repairs Reserve**
This statement details the income and expenditure during the year on major repairs and improvements to the Council's housing stock.
- Page 38** **Statement of Capital Expenditure**
This statement shows the capital expenditure of the various service areas of the Council, together with the sources used to finance that expenditure.
- Page 40** **Statement in Total Movements in Reserves**
This statement brings together all the recognised gains and losses of the Council during the year and details both those which have, and those which have not, been separately identified in the Consolidated Revenue Account and reflected as the Total Equity in the Consolidated Balance Sheet. The statement separates the movements between revenue and capital reserves and identifies the amount attributable to the Housing Revenue Account.
- Page 42** **Statement of Total Movements in Earmarked Reserves**
Within the revenue section of the Statement of Total Movements in Reserves there is a column referred to as "Earmarked Reserves". This analysis identifies all of the individual reserves making up this item.
- Page 43** **Cash Flow Statement**
This statement summarises the inflows and outflows of cash arising from Council transactions with third parties for both revenue and capital purposes.
- Page 47** **Collection Fund**
This statement details the transactions relating to the collection of Council Tax, National Non-Domestic Rates (NNDR) and residual Community Charge. The Council is responsible for collecting Council Tax on behalf of Warwickshire County Council, Warwickshire Police Authority and itself (which also includes the precepts of the Parish Councils). The Council is also responsible for collecting NNDR on behalf of the Government.
- Page 50** **Statement of Responsibilities for the Statement of Accounts**
This statement identifies the responsibilities of the Council and those of the Responsible Financial Officer.
- Page 51** **Statement on Internal Control**
This statement provides details of the measures in place to safeguard the Council's resources.

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

ACCOUNTING POLICIES

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

In preparing the accounts advantage has been taken of the transitional arrangements in the 2004 S.O.R.P. relating to Group Accounts.

Basis of Accounting

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

Redemption of Debt

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

Capital Receipts

Usable capital receipts represent the defined proportions of proceeds from the disposal of assets and mortgage repayments. They are held in the usable capital receipts account until such time as they are used to finance capital expenditure. Usable Capital Receipts at 31 March 2005 amounted to £5,184,821 including £2,628,573 capital receipts previously set aside for the repayment of debt which are now available for

ACCOUNTING POLICIES

financing capital expenditure as a result of the Council's debt free status. Interest on usable capital receipts held during the year is credited to the General Fund.

Capital Assets

(a) Fixed Assets

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

Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2004/2005 which have not been the subject of a valuation are included at historical cost.

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

The current values shown in the Balance Sheet for General Fund properties are based on a valuation as at 1st April 2004 . The valuation was carried out by the District Valuer, a part of the Valuation Office Agency. For Housing Revenue Account properties the values are based on a valuation as at 1st April 2004 increased where appropriate for 8.5% house price inflation (per the District Valuer) pending receipt of the results of a further revaluation exercise by the District Valuer.

(b) Depreciation

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

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

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

(c) Charges for the use of Capital

Capital charges made to revenue accounts equal the sum of depreciation plus a specified notional interest charge based on the equated balance sheet value of the asset during 2004/2005.

In 2004/2005 the specified notional rates of interest were 3.5% for fixed assets included in the Balance Sheet at current value and 4.8% for infrastructure and community assets included in the Balance Sheet at historical cost.

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

(d) Intangible Assets

Intangible Assets cover two distinct types of expenditure. The first relates to expenditure which has been properly capitalised, but which does not result in a tangible fixed asset owned by the Council. This includes grants to other persons and bodies for capital expenditure (e.g. Environmental Health Improvement Grants) and software licences. An assessment of the period of economic benefit to the

ACCOUNTING POLICIES

Council is made and the costs duly amortised over the length of that benefit. In 2004/2005, with the exception of some software licences, all expenditure was written out to revenue as no economic benefit beyond 1 year was obtained but this did not affect the net cost of services as ultimately the expenditure was charged to the Capital Financing Account.

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

(e) Leased Assets

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

Current Assets

(a) Stocks and Work-in-Progress

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

(b) Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974.

Interest Charges

In accordance with the Local Government and Housing Act 1989 interest charges to the Housing Revenue Account in respect of its outstanding debt are based on average external rates of interest paid by the Council. Interest is credited to the Housing Revenue Account in respect of its working balance during the year. This is calculated using the actual external investment rate. All remaining interest income is credited to the General Fund Revenue Account.

Provisions

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

Provisions for Bad and Doubtful Debts

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

Earmarked Reserves

Sums set aside from balances and earmarked to meet future revenue or capital expenditure. Each reserve is for a specific purpose (see page 42 for a full list).

Valued Added Tax

VAT is charged to revenue and capital accounts only to the extent that it is irrecoverable. No such amounts occurred during 2004/2005.

Pensions

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

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

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as at 31st March

	Notes	2005 £'000	2005 £'000	2004 £'000
CAPITAL ASSETS	1 to 7			
INTANGIBLE ASSETS			3,092	3,526
FIXED ASSETS				
Operational Assets:				
Council Dwellings			327,112	304,922
Other Land and Buildings			51,194	34,490
Vehicles, Plant, Furniture and Equipment			2,999	2,944
Infrastructure			292	298
Community Assets			5,455	2,276
Non Operational Assets:				
Investment Properties			13,444	10,584
Assets under Construction			546	34
Surplus Assets held for Disposal			794	1,205
TOTAL FIXED ASSETS			<u>401,836</u>	<u>356,753</u>
Long Term Investments	8		12	12
Long Term Debtors	8		161	208
TOTAL LONG TERM ASSETS			<u>405,101</u>	<u>360,499</u>
CURRENT ASSETS				
Stocks and Work In Progress			10	10
Sundry Debtors	9		8,824	9,675
Less Bad Debts Provision			(1,419)	(1,254)
Short Term Investments	10		19,953	10,754
			<u>432,469</u>	<u>379,684</u>
CURRENT LIABILITIES				
Borrowing repayable on demand or within 12 months			0	0
Sundry Creditors	11		(7,440)	(4,786)
Cash Overdrawn			(1,274)	(2,171)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>423,755</u>	<u>372,727</u>
Loans repayable within a period of over 12 months	12		0	0
Deferred Liabilities	13		(601)	(781)
Deferred Credits	8 & 14		(155)	(202)
Provisions	15		(689)	(653)
Liability related to defined benefit pension scheme	16		(20,876)	(8,292)
TOTAL ASSETS LESS LIABILITIES			<u>401,434</u>	<u>362,799</u>
REPRESENTED BY:				
Fixed Asset Restatement Account	17		317,493	274,864
Capital Financing Account	18		83,446	83,587
Useable Capital Receipts	19		5,185	930
Major Repairs Reserve	20		3,584	1,957
Earmarked Reserves	21		10,400	7,469
General Fund Revenue Balance	22		1,000	1,000
Pensions Reserve	16		(20,876)	(8,292)
Housing Revenue Account Balance			1,202	1,284
			<u>401,434</u>	<u>362,799</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets

Movement in fixed assets during the year were as follows:

	Balance 1 st April 2004 £'000	Expenditure in Year £'000	Disposals in Year £'000	Revaluations and Depreciation £'000	Balance 31 st March 2005 £'000
Operational Assets:					
Council Dwellings	304,922	410	(3,541)	25,321	327,112
General Fund:					
Other Land & Buildings	34,490	449	(2,675)	18,930	51,194
Vehicles, Plant & Equipment	2,944	729	0	(674)	2,999
Infrastructure	298	2	0	(8)	292
Community Assets	2,276	3,353	(145)	(29)	5,455
Non Operational Assets					
General Fund:					
Investment Properties	10,584	286	(1,573)	4,147	13,444
Assets under construction	34	521	(9)	0	546
Surplus Assets held for disposal	1,205	242	(1,250)	597	794
TOTALS	356,753	5,992	(9,193)	48,284	401,836

The revaluations and depreciation column contains depreciation charged to the Asset Management Revenue Account during 2004/2005 as follows:-

Council Dwellings	£3,716,587
Other Land and Buildings	£1,534,986
Vehicles, Plant and Equipment	£674,202
Infrastructure	£7,737
Community Assets	£29,276
Investment Properties	£206,171
Surplus Assets	£25,757
TOTAL	£6,194,716

2. Fixed Asset Valuations

The values of the Council Dwellings in note 1 above are based on valuations at 1st April 2004. The revaluations were undertaken by Mr. I. Finn MRICS for the District Valuer.

The values of the General Fund fixed assets are based on valuations at 1st April 2004. The revaluations were undertaken by Mr. I. Wilson MRICS for the District Valuer. The revaluation exercise resulted in the value of the General Fund assets increasing by £25,441,396 over the values in the balance sheet at 31st March 2004.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

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

	Council Dwellings £,000	Other Land and Buildings £'000	Vehicles, Plant etc. £'000	Total £'000
Valued at historical cost	0	6,717	2,999	9,716
Valued at current value in:				
2004/2005	323,381	64,112	0	387,493
2003/2004	3,731	0	0	3,731
1999/2000	0	295	0	295
Total	327,112	71,124	2,999	401,235

The above figures exclude leased assets valued at £601,103 (see note 6)

3. Capital Expenditure

Capital expenditure during the year amounted to £10.728m (see Note 4 and page 38). It should be noted that capital expenditure does not necessarily increase the capital value of assets (see Note 1 above). For example, the majority of expenditure that results in Intangible Assets (£2.077m in 2004/2005) is written off in the year that it arises since there is no physical asset created (e.g. Environmental Health Improvement Grants).

The main items of capital expenditure in 2004/2005 were:

	£'000
General Fund Capital Programme:-	
St Mary's Lands Development	2,074
E-government and ICT Strategy	1,066
Other Leisure Projects	450
Harbury Lane Sports Pavilion	353
Conservation and Environment Improvements	146
Traffic Schemes including Car Parking	139
Housing Investment Programme:-	
Housing Improvements :-	
Improvements / Renewals	4,780
Renovation Grants	495
Energy Conservation Works	160
Housing Associations – Grants re new Dwellings / Improvements	743
IT Equipment and Software	162

Significant capital expenditure projects in 2005/2006 include;

General Fund Capital Programme:-	
E-government and ICT Strategy	2,293
St Mary's Lands Development	1,820
Leisure Projects	730
Tanyard Stream Flood Alleviation Scheme	395
Traffic Schemes including Car Parking	381
Conservation and Environment Improvements	355

NOTES TO THE CONSOLIDATED BALANCE SHEET

	£'000
Housing Investment Programme:-	
Council Housing Improvements / Renewals	4,929
Housing Associations – Grants re new Dwellings / Improvements	1,911
Renovation Grants	860
Council House Energy Conservation Works	721
Significant contracts outstanding from 2004/2005 (included in 2005/2006 figures above) include:	
General Fund Capital Programme:-	
St Mary's Lands Development	1,389
Other E-government and ICT Strategy Projects	236
Document Management Pilot Project	169
Housing Investment Programme:-	
Housing Association Schemes	527
S106 Funded Renovation Grants	250

4. Capital Financing

Financing	£,000	Represented by:	£,000
Useable Capital Receipts	6,983	Fixed Assets	8,651
Revenue and Reserves	3,745	Intangible Assets (see note 7)	2,077
	<u>10,728</u>		<u>10,728</u>

5. Statement of Physical Assets

The Council maintained the following assets at 31st March 2005:

	No's		No's
Council Dwellings (H.R.A. and Others)	5,790	Cemeteries including Chapels etc.	4
Council Garages (H.R.A. and Others)	2,064	Crematorium	1
Town Hall	1	Parks and Open Spaces (acres)	1,070
Offices	3	Athletics Track	1
Multi-Storey Car Parks	3	Golf Course	1
Surface Car Parks (1 leased)	17	Golf Shop	1
Theatre / Entertainment Suites	2	Bowling Greens; Victoria Park	1
Recreation Centres	4	Public Conveniences	10
Leisure Centres	2	Vehicles	4
Swimming Pools	1	Catering Premises	7
Community Centres (inc. H.R.A.)	6	Shops and Other Properties (2 leased)	106
Museum and Art Gallery	1	Temperate House, Jephson Gardens	1
All Weather Pitch	1	BMX Track, Campion Hills	1
Skate Park, Kenilworth	1	Parcels of Land held as Investment Properties	29

6. Assets held under Finance Leases

	Original Book Value	Accumulated Depreciation to 31 st March 2004	Gross Book Value 31 st March 2004	Additions /Depreciation 2004/2005	Gross Book Value 31 st March 2005
	£'000	£'000	£'000	£'000	£'000
Other Land and Buildings	1,371	590	781	(180)	601

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

2005/2006	£194,565
2006/2007	£6,602
2007/2008	£2,918
2008/2009	£4,238
2009/2010	£5,553

The aggregate principal element of leases which continue beyond 2010 until the final one terminates in 2032 is £411,564. The interest element of the rentals on finance leases paid in 2004/2005 amounted to £52,761.

7. Intangible Assets

	Balance at 1 st April 2004 £'000	Expenditure £'000	Amount Repaid £'000	Balance at 31 st March 2005 £'000
General Fund:				
Improvement Grants	0	495	(495)	0
Purchased Software Licences	0	117	(45)	72
Other General Fund	0	1,354	(1,354)	0
Housing Revenue Account				
Housing Management Software	0	71	(71)	0
Other Housing Revenue Account	0	40	(40)	0
	0	2,077	(2,005)	72
Loan Premiums / Discounts	3,526	0	(506)	3,020
Total	3,526	2,077	(2,511)	3,092

During the year various software licences were purchased for the Document Management System, Housing Management System, Website and Licencing System. Where the licence is not for an indefinite period the cost has been amortised on a straight line basis over the period for which the licence is valid as follows:-

Document Management Software Licences – 3 years – Amount amortised to revenue £29,921
 Website Development Software Licences – 3 years – Amount amortised to revenue £6,087

8. Long Term Investments / Debtors

	31 st March 2005 £,000	31 st March 2004 £,000
Long term Investments comprise:		
Miscellaneous Investments	12	12
Long Term Debtors comprise:		
Mortgages re Council House Sales (Deferred Credits)	155	202
Mortgages re Private Householders	6	6
TOTAL LONG TERM DEBTORS	161	208
TOTAL LONG TERM INVESTMENTS / DEBTORS	173	220

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. Sundry Debtors and Bad Debt Provisions

The debtors outstanding at 31 March are:

	31st March 2005	31 st March 2004
	£'000's	£'000's
Supplementary Debtors (Year end accruals)	2,975	1,929
NNDR National Pool	0	1,859
General Debtors Outstanding at 31 st March	758	1,359
Miscellaneous Other Debtors	846	866
Housing Rent Arrears	1,036	943
Collection Fund	1,000	672
Council Tax Arrears	1,242	1,091
NNDR Arrears	967	783
ODPM (Housing Grants / Subsidy)	0	173
DWP (Benefits Subsidy)	0	0
TOTAL SUNDRY DEBTORS	8,824	9,675

The reduction in the total of sundry debtors can be accounted for in the main by the NNDR National Pool item changing from a debtor to a creditor and a reduction in General Debtors outstanding at 31st March. These items have been offset by an increase in year end accruals and an increase in the amount owed to the Collection Fund due to a overestimate of the properties paying tax during 2004/2005.

The Council maintains the following bad debt provisions:

	31st March 2005	31 st March 2004
	£,000	£'000
Housing Rent Arrears – H.R.A.	428	356
Housing Rent Arrears – General Fund	121	123
General Debtors	59	32
Bed and Breakfast Expenses for homeless people	4	9
Housing Benefits – Rent Allowances	92	68
NNDR	447	447
Council Tax	268	219
TOTAL BAD DEBTS PROVISIONS	1,419	1,254

10. Short Term Investments

This item relates to the investment of cash flow surpluses, Capital Receipts, Reserves and Balances. In-house these were invested with Banks, Building Societies, Money Market Funds and other local authorities and through the Council's external investment agents in Banks, gilt edged securities and supranational bonds. The total investments at 31 March 2005 were £19.95m (£10.75m at 31 March 2004).

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. Sundry Creditors

Creditors outstanding at 31 March are:

	31 st March 2005 £'000	31 st March 2004 £'000
Supplementary Creditors (Year end accruals)	4,797	2,908
NNDR Income Account	67	0
NNDR Payments In Advance	50	481
Council Tax Payments In Advance	228	419
NNDR National Pool	1,340	0
Housing Rent Payments in Advance	87	88
Income Received in Advance	600	320
DWP Benefits Subsidy	0	333
Miscellaneous Creditors	271	237
TOTAL SUNDRY CREDITORS	7,440	4,786

The increase in sundry creditors is mainly due to the NNDR Pool payment moving from a debtor to a creditor and a general increase in year end creditors offset by a decrease in prepayments received from Council Tax and NNDR customers. The DWP Benefits Subsidy has moved to being a small debtor of £406.

12. Loans repayable within a period of over 12 months

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

13. Deferred Liabilities

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

14. Deferred Credits

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. Provisions

Provisions include insurance cover in respect of outstanding claims from the public. The extent of the provisions relates to the excesses on existing claims as at 31 March 2005 where such excesses have been negotiated when agreeing premiums. Provision for these insurance commitments is £689,450. A separate Provision is maintained for the General Fund (£437,672) and the Housing Revenue Account (£251,778).

Movements on the provisions during the year as follows:

	Balance at 1 st April 2004 £,000	Transfers To Provision £'000	Transfers From Provision £'000	Balance at 31 st March 2005 £'000
General Fund:				
Insurance Provision	457	42	(62)	437
Change in Caterer	20	0	(20)	0
Housing Revenue Account:				
Insurance Provision	176	98	(22)	252
TOTAL	653	140	(104)	689

16. Disclosure of net Pensions asset / liability

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

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

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

	31 st March 2005 £'000	31 st March 2004 £'000
Estimated liabilities in scheme	(72,948)	(58,001)
Market Value of assets in scheme	52,072	49,709
Net asset / (liability)	(20,876)	(8,292)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £20.876m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy – the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Disclosure of net Pensions asset / liability (continued)

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

	2004/2005	2003/2004
Rate of inflation	2.9%	2.8%
Rate of increase in salaries	4.7%	4.3%
Rate of increase in pensions	2.9%	2.8%
Rate for discounting scheme liabilities	5.4%	6.3%

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

	Expected Return	31 st March 2005	31 st March 2004
Equities	7.50%	75.3%	75.6%
Government Bonds	4.70%	8.9%	14.1%
Other Bonds	5.40%	13.9%	3.0%
Property	6.50%	0.0%	0.0%
Cash / Liquidity	4.75%	1.9%	7.3%
Other Assets	7.50%	0.0%	0.0%
		100.0%	100.0%

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

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

17. Fixed Asset Restatement Account

The establishment of the Fixed Asset Restatement Account was required with the introduction of a new system of capital accounting with effect from 1994/95. The initial balance represented the difference between the valuation of assets under the previous system and the revaluation as at 1 April 1994 less any deferred liabilities brought into account. The Account is written down by the net book value of assets as they are disposed of and debited or credited with the deficit or surplus arising on subsequent revaluations. See page 40 for details in the movements in this Account.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. Capital Financing Account

The Capital Financing Account contains the amount of capital expenditure financed from revenue, usable capital receipts and capital grants. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans (the Minimum Revenue Provision - see Note 6 to the Consolidated Revenue Account for the calculation). See page 40 for details in the movements in this Account.

	£'000	£'000
Balance brought forward 1st April 2004		83,587
Credits to the Account:		
Capital Expenditure financed from Capital Receipts	6,983	
Capital Expenditure financed from Revenue and Reserves	3,745	10,728
		<u>94,315</u>
Debits to the Account:		
Intangible Assets written out	(2,005)	
Set Aside Capital Receipts transferred to Unapplied Capital Receipts Account	(2,629)	
Housing Advances principal repaid	0	
Minimum Revenue Provision (M.R.P.) – net of depreciation	(6,235)	(10,869)
		<u>83,446</u>
Balance carried forward 31st March 2005		83,446

Prior to the introduction of the Prudential Capital Finance regime with effect from 1st April 2004, the Capital Financing Account also received the amount of capital receipts required to be set aside for the repayment of external loans. This requirement was abolished with effect from 1st April 2004, however at the 31st March 2004 the Capital Financing Account contained £2,628,573 of set aside capital receipts which, as the Council was debt free, were no longer required for debt repayment purposes. As a debt free authority the Council is able to utilise these capital receipts to provide finance for future capital expenditure. Therefore the £2,628,573 was transferred to the Unapplied Capital Receipts Account during 2004/2005.

Intangible Assets form part of the capital charges included in the Revenue Service Accounts and are credited to the Capital Financing Account in order to remove their impact on Council Tax.

19. Usable Capital Receipts Reserve

Under the Local Government and Housing Act 2003 when H.R.A. assets are sold a proportion of the proceeds must be paid over to the Office of the Deputy Prime Minister (typically 75% of the proceeds from the sale of council houses). For debt free authorities such as this Council, there are transitional arrangements in force which enable the Council to reduce this “pooling” arrangement. After deduction of the pooling element the remaining proportion of the proceeds are held as usable capital receipts until used to finance capital expenditure. It was not possible in 2004/2005 to fully utilise usable capital receipts generated in the year and with the transfer from the Capital Financing Reserve referred to in note 18 a balance of £5.185m remained at the year end.

20. Major Repairs Reserve

Under the new Resource Accounting regime there is a statutory requirement to keep a Major Repairs Reserve Account. The account holds an amount equivalent to the Major Repairs Allowance received as part of the subsidy payment. Certain elements of Housing capital expenditure are financed from this Reserve and the balance at 31st March 2005 was £3,584m

NOTES TO THE CONSOLIDATED BALANCE SHEET

21. Earmarked Reserves

Earmarked reserves include reserves to meet future capital expenditure (£3.620m), reserves to meet housing repairs excluding the Major Repairs Reserve (£4.056m) and reserves set aside for specific revenue schemes (£2.724m). They comprise:

	2004/2005 £'000	2003/2004 £'000
Capital Reserves		
Car Parks Commuted Sums	231	231
Capital Investment Reserve	1,658	2,205
I.T and New Equipment Reserve	285	413
General Fund External Contributions Account	476	0
S106 RSL External Contributions Account	771	0
WOLP External Contributions Account	199	0
Housing Repairs Reserves		
Housing Repairs Account	4,056	2,263
Specific Revenue Reserves		
Grounds Maintenance Commuted Sums	698	768
Corporate Property	236	269
Insurance	340	440
Election Expenses	29	9
Art Fund	33	34
Energy Management	13	46
Best Value	105	103
Art Gallery Gift Reserve	57	59
Planning Appeals	286	282
Early Retirement	62	23
Collection Fund	109	78
Building Control	7	0
Earmarked Balances Reserve	712	215
Housing Early Retirement	37	31
TOTAL Earmarked Reserves at 31st March	10,400	7,469

22. General Fund Revenue Balance

The Council has decided that it is prudent to maintain a General Fund Revenue Balance of £1m.

23. Investments - Related Businesses and Companies

The Council has an interest in the following companies:

South Warwickshire Tourism Limited

The principal activity of the company is to develop and promote tourism in South Warwickshire. The company was set-up by Warwick District Council, Stratford-on-Avon District Council and various tourism related businesses within the area. During 2004/2005 Warwick District Council's contribution was £209,924 (£202,305 in 2003/2004). Annual turnover of the company is £1.30m (£1.23m in 2003/2004). The company has 425 members at 31 March 2005 (402 at 31 March 2004) each guaranteeing an amount not exceeding £1. There are 15 directors on the company's board of which 3 are Warwick District Council members.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The financial performance of the company is as follows:

	2004/2005 £	2003/2004 £
Net Assets at 31 st March	112,742	83,570
Profit before tax	32,758	25,961
Profit after tax	26,228	21,073

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

Regenesis - The Leamington Old Town Community Partnership

The company was incorporated on 18 May 2000 and commenced trading on that date and became a registered charitable company during 2001/2002. The principal activity of the company is the regeneration of Leamington Old Town. The company was set-up by Warwick District Council and other various statutory and voluntary bodies. Funding is from the Single Regeneration Budget, Round 5 (SRB5) for which Warwick District Council acts as the accountable body. During 2004/2005 the Council incurred net expenditure of £91,875 (£112,506 in 2003/2004) in respect of the operations of Regenesis. Annual turnover of the company is £742,297 (£1,719,696 in 2003/2004). The company is limited by guarantee of an amount not exceeding £1 per member. There were 13 members on the company's board during 2004/2005 of which 2 are Warwick District Council members.

The financial performance of the company is as follows:

	2004/2005 £	2003/2004 £
Net Assets at 31 st March	1,395,091	1,378,651
Net movement in funds before tax	45,054	542,199
Net movement in funds after tax	45,054	542,199

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

24. Contingent Liabilities

Coventry Airport

The Costs awarded against the Council relating to the injunction proceedings decided in May 2004 have now been finalised and will need to be paid in 2005/6. This item was shown as a contingent liability note to the accounts in 2004/5.

The Council's enforcement action in respect of the temporary terminal operation by West Midlands International Airport (Coventry Airport) is currently the subject of a complex planning inquiry. The current estimated costs of defending the Council's position to be met in 2005/6, plus the remainder of the costs to be paid in respect of the injunction proceedings mentioned above amount to £406,700. All of this can be met from Planning 2005/6 budgets and reserves of £230,000, and application of a surplus from the General Fund Revenue Account to reserve as part of the closure of 2004/5 accounts of £176,700.

If the Council is unable to reach a negotiated settlement relating to this inquiry, it is possible that an award of costs could be made against the Council. The results of the inquiry are expected to be decided during late 2005 or early 2006. The uncertainties relate to the difficulty in pre judging the outcome of a public inquiry and the attitude of the Secretary of State's response to the report on the inquiry which will be submitted to him for his decision.

CONSOLIDATED REVENUE ACCOUNT

	Notes	Gross Expenditure 2004/2005 £'000	Gross Income 2004/2005 £'000	Net Expenditure 2004/2005 £'000	Net Expenditure 2003/2004 £'000
Central Services to the Public		7,441	(6,631)	810	1,057
Cultural and Related Services		10,452	(3,533)	6,919	5,944
Environmental Services		7,937	(2,657)	5,280	5,096
Planning and Development Services		6,731	(4,564)	2,167	2,749
Highways, Roads and Transport Services		3,404	(2,579)	825	497
Housing Services		46,597	(36,166)	10,431	9,592
Corporate and Democratic Core		2,491	(266)	2,225	2,156
Non-Distributed Costs		249	(31)	218	410
Net Cost of Services		85,302	(56,427)	28,875	27,501
Parish Council Precepts	1	770	0	770	686
Asset Management Revenue Account	2	0	(8,670)	(8,670)	(3,873)
Contribution to Housing Pooled Capital Receipts		799	0	799	0
Interest and Investment Income	3	0	(1,334)	(1,334)	(964)
Pensions Interest Cost	4	3,612	0	3,612	3,298
Expected Return on Pensions Assets	4	0	(3,350)	(3,350)	(2,672)
Net Operating Expenditure		90,483	(69,781)	20,702	23,976
Transfer to / (from) H.R.A. Balances				(82)	462
Transfers from Earmarked Reserves	5			283	(2,090)
Gains on the early settlement of borrowing				0	(3,957)
Capital Expenditure Financed from Revenue				1,247	2,178
Provisions for Loan Repayments	6			(6,235)	(5,587)
Payments Payable to Pension Fund	4			1,230	1,331
Movement on Pensions Reserve	4			(2,061)	(2,073)
Housing Pooled Capital Receipts transfer from Usable Capital Receipts Account				(799)	0
Amount to be met from Government Grants and Local Taxation				14,285	14,240
General Government Grants				(4,243)	(3,877)
Non-Domestic Rates Distribution				(3,487)	(4,401)
Demand on Collection Fund				(6,581)	(6,014)
Transfers to the Collection Fund in respect of deficits				26	52
Net General Fund Surplus/ (Deficit)				0	0
Balance on General Fund Brought Forward				1,000	1,000
Balance on General Fund Carried Forward				1,000	1,000

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Precepts Paid to Towns / Parishes

The total precepts paid to Town and Parish Councils in 2004/2005 amounted to £770,530.53. The sum is financed from this Council's council tax demand on the Collection Fund.

2. Asset Management Revenue Account

This account allows the Council to offset the impact of notional capital charges, net of depreciation, in arriving at the total level of expenditure to be financed from government grants and local taxpayers. The actual payment of external interest is charged to this account. The transactions for 2004/2005 were:

	£,000	£,000
Income		
Capital Charges:		
- General Fund	(4,410)	
- Housing Revenue Account	<u>(11,282)</u>	<u>(15,692)</u>
Expenditure		
Provision for depreciation	6,194	
External Interest paid	775	
Finance lease interest paid	<u>53</u>	<u>7,022</u>
Net Income		<u>(8,670)</u>

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

3. Interest and Investment Income

Interest earned on external investments totalled £1,334,061. This includes interest on the General Fund and Housing Revenue Account (H.R.A.), unused capital receipts and reserve balances. Of the total interest earned, interest on H.R.A. balances (£388,023) is credited to the H.R.A. via the capital charges above, and contributions totalling £99,823, equivalent to the interest on reserves, are credited to the reserves as part of the overall contributions set out in note 5

4. Pensions

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

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

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

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Pensions (continued)

	2004/2005 £'000	2003/2004 £'000
Net Cost of Services:		
- current service cost	1,773	1,295
- past service costs	26	152
Net Operating Expenditure:		
- interest cost	3,612	3,298
- expected return on assets in the scheme	(3,350)	(2,672)
Amounts to be met from Government Grants and Local Taxation		
- movement on pensions reserve	(2,061)	(2,073)
Effect on Council Tax	<u>0</u>	<u>0</u>
Actual amount charged against council tax for pensions in the year:		
- employer's contribution payable to scheme	1,230	1,331

Note 16 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 3 to the Statement of Total Movements in Reserves details the costs that have arisen through the year. Estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

5. Transfers from Earmarked Reserves

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

	2004/2005 £'000	2003/2004 £'000
Transfers to Earmarked Reserves	9,303	8,840
Transfers from Earmarked Reserves	(6,472)	(10,282)
Contributions in lieu of interest (see note 3)	100	134
Total Movements in Earmarked reserves (see page 42)	2,931	(1,308)
Exclude: Movements in Reserves outside Revenue Account	(710)	(782)
Net Transfers to Earmarked Reserves from Revenue Account	<u>2,221</u>	<u>(2,090)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

6. Provisions for Loan Repayments

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

	£'000
General Fund – 4% of opening Capital Financing Requirement*	0
Commutation Adjustment+	(40)
	<u>(40)</u>
Less:	
Amounts charged as depreciation	(6,195)
Minimum Revenue Provision (net)	<u>(6,235)</u>

* The General Fund Capital Financing Requirement at 1st April 2004 was negative therefore there is no Minimum Revenue Provision required for 2004/2005. Under the new Capital Finance Regulations, the requirement to provide Minimum Revenue Provision within the Housing Revenue Account has been abolished.

+ Regulations do not provide for a negative M.R.P. Therefore, a direction from the Office of the Deputy Prime Minister (ODPM) allowing the appropriate amount to be transferred to revenue from the Capital Financing Account has been applied for.

7. Publicity

Section 5(1) of the Local Government Act 1986 requires the Council to keep a memorandum account of expenditure on publicity. The Council's spending on publicity during 2004/2005 is as follows:

	2004/2005 £'000	2003/2004 £'000
Recruitment Advertising	94	102
Tourism Promotion	283	288
Industrial and Commercial Development	297	241
Other Publicity	25	40
Total Publicity	<u>699</u>	<u>671</u>

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

8. Leasing

During 2004/2005 £232,850 was paid to lessors in respect of finance leases for land and buildings and £34,102 paid in respect of operating leases on photocopiers and plan printer. The value of the outstanding undischarged obligations on finance leases is £601,103 and operating leases is £35,411.

The authority is committed to making payments of £266,952 under these leases in 2005/2006, comprising the following elements:

Leases expiring in 2005/2006	£179,500
Leases expiring in 2006/2007	£54,102
Leases expiring in 2031/2032	£33,350

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. Audit Costs

In 2004/2005 the council incurred the following fees relating to external audit and inspection:

	2004/2005 £'000	2003/2004 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	86	76
Fees payable to the Audit Commission in respect of statutory inspection	13	16
Fees payable to the Audit Commission for the certification of grant claims and returns	12	14
Fees payable in respect of other services provided by the appointed auditor	3	1
Total Paid	114	107

The fees for other services payable in 2004/2005 are in respect of a V.A.T. Helpline and the National Fraud Initiative. For 2003/2004 the fee related to the helpline only.

10. Members' Allowances

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

The total value of allowances paid to this authority's members during 2004/2005 were:

	2004/2005 £'000	2003/2004 £'000
Allowances:		
Basic	181	176
Special Responsibility	41	35
Total Allowances	222	211

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

11. Officers' Emoluments

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

	Number of Employees		Number of Employees	
	Total 2004/2005	Left During Year 2004/2005	Total 2003/2004	Left During Year 2003/2004
£50,000 - £59,999	3	0	5	1
£60,000 - £69,999	2	0	1	0
£70,000 - £79,999	0	0	0	0
£80,000 - £89,999	1	0	1	0

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

12. Trading Operations

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

13. Building Control Trading Account

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

Building Regulations Charging Account 2004/2005	Chargeable 2004/2005 £'000	Non – Chargeable 2004/2005 £'000	Total Building Control 2004/2005 £'000
Expenditure	491	135	626
Income	(497)	0	(497)
(Surplus) / Deficit for Year	(6)	135	129

14. Related Party Transactions

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

Central Government

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

Warwickshire County Council and Warwickshire Police Authority

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

Precepting Bodies

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2004/2005 the total precepts issued totalled £770,530.53. The major preceptors were:

	£'000
Warwick Town Council	233
Royal Leamington Spa Town Council	214
Kenilworth Town Council	89
Whitnash Town Council	66
Cubbington Parish Council	22

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Council Members and Chief Officers

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

Council Members have direct control over the Council's financial and operating policies. Payments totalling £189,949 were paid to voluntary organisations in which fourteen members had an interest. The payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. The major payments made were:

	£'000
The Warwick District Council Citizens' Advice Bureau	69
Council for Voluntary Services	49
The GAP	24
Action 21	11
Hill Close Gardens Trust	10

In addition, three councillors are on the board of South Warwickshire Tourism Limited - during 2004/2005 the Council made a contribution of £209,924 (£202,305 in 2003/2004) towards their activities. Also 2 councillors are on the board of Regenesys - the Council incurred net expenditure of £91,875 (£112,506 in 2003/2004) towards their operations.

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

HOUSING REVENUE ACCOUNT

	Notes	Actual 2004/2005 £'000	Actual 2003/2004 £'000
INCOME			
Dwelling Rents	1	(15,882)	(15,310)
Non-Dwelling Rents		(644)	(612)
Charges for Services and Facilities		(215)	(218)
Contributions towards Expenditure		(532)	(500)
Transfers from General Fund – items shared by the whole community		(31)	(26)
Housing Revenue Account Subsidy Receivable	2	0	(3,352)
TOTAL INCOME		(17,304)	(20,018)
EXPENDITURE			
Contribution to Housing Repairs Account Supervision and Management	3	3,027	2,831
Rents, Rates, Taxes and Other Charges		3,976	3,890
Rent Rebates		20	25
Increased Provision for Bad Debts	4	0	7,970
Sums Directed by the Secretary of State		161	111
Cost of Capital Charge	5	4,601	0
Depreciation of Fixed Assets	6	10,624	10,006
Amortisation of Intangible Assets	7	3,739	3,445
TOTAL EXPENDITURE		26,259	28,278
Net Cost of Services		8,955	8,260
Net HRA income from Asset Management Revenue Account		(11,015)	(10,173)
Pensions Interest Cost		0	0
Expected Returns on Pension Assets		0	0
Amortised Premiums and Discounts		745	776
HRA Investment Income		(398)	(206)
Net Operating Expenditure / (Income)		(1,713)	(1,343)
HRA Share of Contributions to or from the Pensions Reserve		0	0
Revenue Contributions to Capital Expenditure		1,800	760
HRA Contribution to Minimum Revenue Provision		0	71
Contributions to/(from) Reserves		95	6
Transfer to Major Repairs Reserve		(100)	44
(Surplus)/Deficit for Year		82	(462)
Balance Brought Forward		(1,284)	(822)
Balance Carried Forward		(1,202)	(1,284)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Dwelling Rents

This is the total rent income from dwellings due for the year after allowance is made for voids, etc. During 2004/2005 the allowance for voids was 0.74% of the gross debit compared with 0.53% in 2003/2004. Average rents were £53.60 a week in 2004/2005 an increase of £2.77, or 5.45%, over the previous year.

2. Housing Subsidy Receivable and Sums Directed by the Secretary of State to be Debited to the Housing Revenue Account

Until 2003/2004, Housing Subsidy was a significant item of income to the Housing Revenue Account. Subsidy was calculated using a "model" of an authority's Housing Revenue Account, which comprised of two parts, the "Housing Element" and the "Rent Rebate Element". Figures used in the model were based on annual assumptions made by the Government on rents to be charged, expenditure on management and maintenance, "notional" (not actual) costs of loan charges and various other items of income and expenditure. These items essentially make up the "Landlord" functions of an authority and would form the "Housing Element" of the Subsidy calculation. The "Rent Rebate Element" consisted of the majority of the rent rebate expenditure which was charged to the Housing Revenue Account. If the Housing Element was calculated as a surplus then that surplus would be used as a contribution towards the cost of Rent Rebates within the "Rent Rebate Element" being 'netted off' against this surplus and the balance paid to the authority as Housing Subsidy. In 2003/2004 the Subsidy payable to the Council was £3.352m.

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

The effect of this on the Housing Subsidy model is that the "Rent Rebate Element", £7.984m in 2003/2004, is now excluded from the calculation. The "surplus" which is produced following calculation of the "Housing Element" is now debited to the Housing Revenue Account and as directed by the Secretary of State paid to the Government as a contribution to the National Housing Rent Pool. In 2004/2005, the contribution payable was £4.436m.

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

The calculation is as follows:

	2004/2005 £'000	2003/2004 £'000
<u>CREDITS:</u>		
Rents	15,824	15,284
Other Income	18	25
Balance to Housing Revenue Account	0	3,352
TOTAL CREDITS	15,842	18,661
<u>DEBITS</u>		
Management and Maintenance	6,507	5,886
Major Repairs Allowance	3,359	3,250
Loan Charges	1,461	1,541
Other Allowances	79	0
Rent Rebates	0	7,984
Balance to National Housing Pool	4,436	0
TOTAL DEBITS	15,842	18,661

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Contribution to Housing Repairs Account

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

4. Bad or Doubtful Debts

Net rent arrears amounted to £949,443 at 31 March 2005 (£855,167 at 31 March 2004). They consist of current rent arrears, long term rent arrears and prepayments. During 2004/2005, the rent arrears (dwellings and garages) increased from £587,167 to £725,704 and as a proportion of net rent collectable increased from 7.42% to 8.94%. Net rent collectable is gross rent net of Housing Benefits payments. The aggregate provision for uncollectable debts is £428,180 as at the 31st March 2005.

5. Cost of Capital Charge

Under Housing Resource Accounting, it is a requirement that the Housing Revenue Account is debited with a notional cost of capital charge which is intended to reflect the interest payable on capital tied up in the Housing Revenue Account assets. This is based on the Housing Revenue Account property values contained in the balance sheet calculated on an equated basis (opening and closing values added together and then divided by two). The charge is based on 3.5% of these values. The 2004/2005 charge amounts to £10,646,540. However the outstanding cost of financing the Housing assets is much lower than the notional cost of capital charge and therefore an adjustment needs to be made in order to ensure that the Housing Revenue Account bears only the true cost which is needed to be financed from its income.

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

6. Depreciation of Fixed Assets

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

	2004/2005 £'000	2003/2004 £'000
Operational Assets (Dwellings, Other Land , Buildings)	3,739	3,445
Non-Operational Assets	0	0
TOTAL DEPRECIATION	3,739	3,445

The increase in the depreciation charge is mainly due to the increase in Council House values as a result of the revaluation exercise during 2003/2004 as the depreciation charge is calculated on the opening balance as at 1 April 2004.

NOTES TO THE HOUSING REVENUE ACCOUNT

7. Amortisation of Intangible Assets

During 2004/2005 the Housing Revenue Account incurred capital expenditure amounting to £110,943 on Intangible Assets (formerly known as Deferred Charges) which is capital expenditure incurred by the Council but not on assets owned by the Council . £40,114 was spent on Assisted Elderly Persons Transfer Scheme Payments enabling elderly people to move to more suitable accommodation freeing up larger housing stock for families. £70,829 was spent on the new Housing Management System Software. In the latter case there is no definite life over which to amortise the cost so together with the expenditure on Assisted Elderly Persons Transfer Scheme the entire cost was amortised to revenue in 2004/2005.

8. Housing Stock

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

	31st March 2005 Nos.	31 st March 2004 Nos.
Houses	2,570	2,611
Flats	2,473	2,498
Bungalows	670	670
	<u>5,713</u>	<u>5,779</u>

The change in housing stock can be summarised as follows:

	2004/2005 Nos.	2003/2004 Nos.
Stock at 1 st April	5,779	5,891
Purchases	0	0
Sales	(65)	(111)
Conversions	0	0
Other Disposals	(1)	0
Change of Use	0	(1)
	<u>5,713</u>	<u>5,779</u>

9. Valuation of Dwellings

The 'vacant possession' value of dwellings represents the open market value of the housing stock, whilst the balance sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction of 44% on the market valuations) is the 'Economic Cost' to the Government of providing council housing at less than open market rents.

	1st April 2004 £'000	1 st April 2003 £'000
Vacant Possession Value of Dwellings	537,382	503,246
Balance Sheet Value of Dwellings	300,934	282,142
Economic Cost to Government	<u>236,448</u>	<u>221,104</u>

It should be noted that the above values are based on revaluations at 1 April and, therefore, are not comparable with the values shown in the Consolidated Balance Sheet on page 11.

NOTES TO THE HOUSING REVENUE ACCOUNT

10. Housing Revenue Account Fixed Assets

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

	1 st April 2004 £'000	31 st March 2005 £'000
Operational Assets:		
- Dwellings	300,934	323,132
- Other Land and Buildings	3,988	3,980
Non-Operational Assets	0	0
Total Balance Sheet Items	304,922	327,112

11. Summary of Capital Expenditure

	2004/2005 £'000	2003/2004 £'000
Internal Borrowing	0	1,120
Prudential Borrowing	0	0
Usable Capital Receipts	3,411	365
Revenue Contributions	0	651
Major Repairs Reserve	1,731	2,962
TOTAL CAPITAL EXPENDITURE	5,142	5,098

12. Summary of Capital Receipts

	2004/2005 £'000	2003/2004 £'000
Sale of Council Houses	4,476	6,489
Sale of Land	11	331
Repayment of Discount	95	38
Housing Advances Repaid	0	4
Sale of Council Houses Advances Repaid	47	68
TOTAL CAPITAL RECEIPTS	4,629	6,930

13. HRA – Accounting for Pensions under FRS17

The 2004 Statement of Recommended Practice (S.O.R.P.) requires that retirement benefits within the HRA be accounted for in a similar way to that shown within the Consolidated Revenue Account shown on page no 23. In June 2004 advice was issued by CIPFA giving guidance on the accounting entries required for the 2003/2004 accounts and stating that guidance for the 2004/2005 accounts would be issued in good time to enable the 2004/2005 Statement of Accounts to reflect the S.O.R.P. requirements, to date this guidance has not been received. Therefore, it has been necessary to use the 2003/2004 guidance which due to the lack of consensus on the treatment of pensions within the HRA gave several alternative accounting treatments and left it to each authority to decide how to account for FRS 17 within the HRA. It is this Council's view, pending receipt of the new guidance, that as the entries on the Housing Revenue Account are defined by statute it is not possible to show the FRS 17 based cost components due to inconsistency with legislative requirements. In addition the HRA is in a multi employer situation and it is not possible to identify the HRA's share of the assets and liabilities of the pension scheme with any degree of consistency or accuracy. Any entries in the

NOTES TO THE HOUSING REVENUE ACCOUNT

Housing Revenue Account on the foregoing basis would therefore be valueless and the 2004/2005 Housing Revenue Account has been prepared on the same basis as 2003/2004.

HOUSING REPAIRS ACCOUNT

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

	Notes	Actual 2004/2005 £'000	Actual 2003/2004 £'000
INCOME			
Contribution from Housing Revenue Account		(4,827)	(3,592)
Service Charges		1	(1)
TOTAL INCOME		<u>(4,826)</u>	<u>(3,593)</u>
EXPENDITURE			
Major Works Programme		1,287	1,127
Routine Maintenance		1,746	1,691
Revenue Contribution to Capital Outlay	1	0	651
TOTAL EXPENDITURE		<u>3,033</u>	<u>3,469</u>
Net (Surplus) / Deficit to Balances		(1,793)	(124)
Balance Brought Forward		(2,263)	(2,139)
Balance Carried Forward	2	<u>(4,056)</u>	<u>(2,263)</u>

1. Revenue Contribution to Capital Outlay

The Housing Repairs Account normally makes a contribution to support the Housing capital programme however in 2004/2005 no contribution was necessary due to the level of capital receipts available, compared to £0.7m contributed in 2003/2004.

2. Balance on Account

The balance on the account has increased to £4.1m which will be used to accommodate slippage in the 2004/2005 programme, to fund future housing repair needs and to help meet the decent homes standard.

HOUSING MAJOR REPAIRS RESERVE

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

	Notes	Actual 2004/2005 £'000	Actual 2003/2004 £'000
INCOME			
MRA Subsidy		(3,358)	(3,250)
Depreciation on Non-Dwelling Assets		(184)	(239)
TOTAL INCOME		<u>(3,542)</u>	<u>(3,489)</u>
EXPENDITURE			
MRA Contribution to Capital Expenditure	1	1,731	2,962
Non-Dwelling Assets Depreciation Adjustment	2	184	239
TOTAL EXPENDITURE		<u>1,915</u>	<u>3,201</u>
Net (Surplus) / Deficit to Balances		(1,627)	(288)
Balance Brought Forward		(1,957)	(1,669)
Balance Carried Forward	3	<u>(3,584)</u>	<u>(1,957)</u>

1. MRA Contribution to Capital Expenditure

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

2. Depreciation on Non-Dwelling Assets

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

3. Balance on Account

The balance on the account, at the end of March 2005 is £3.58m. which can be used for capital expenditure in future years to help maintain the condition of the stock, increase the life of the property and number of tenancy years occupation. Under the new Housing Capital Finance regime it can also be used to repay the principal of loans incurred as part of the Council's Prudential Borrowing Strategy. It cannot, however, be used to pay for debt servicing costs i.e. repayment of interest due.

STATEMENT OF CAPITAL EXPENDITURE

	Actual 2004 / 2005		Actual 2003 / 2004	
	£'000	£'000	£'000	£'000
HOUSING INVESTMENT PROGRAMME				
Improvements and Renewals	4,385		3,943	
Aids & Adaptations	78		0	
Conversions	17		49	
Environmental Improvements	49		278	
Energy Conservation Works	160		624	
Cash Incentive Scheme	40		44	
Equipment / Software	162		160	
Asbestos Survey	252		0	
Housing Associations	743		1,447	
Private Sector Renewals	495	6,381	474	7,019
OTHER SERVICES PROGRAMME				
E-government and ICT Strategy	1,066		704	
Brunswick Hub	0		627	
Harbury Lane Sports Pavilion	353		9	
Edmondscote Track and Buildings Refurbishment	11		447	
St Mary's Lands	2,074		311	
St Nicholas Park All Weather Pitch Replacement	17		295	
Crematorium Refurbishment	10		167	
Jephson Gardens Improvements	70		150	
Jephson Gardens Catering Equipment	106		0	
New Youth Facilities	139		0	
Town Centre Developments / Regeneration	1		113	
Adelaide Road Pay & Display Car Park	9		144	
Cultural Quarter	33		100	
Public Conveniences	49		0	
Campion Hills Cycleway & National Cycle Network	7		91	
Covent Garden Car Park Lift Refurbishment	0		91	
St Peters Car Park Safety & Security Improvements	122		9	
Recycling Projects	99		0	
Rural Initiatives	9		58	
Flood Alleviation Schemes	15		36	
Myton School Sports Facilities	0		10	
Play Areas	41		18	
Rural Outreach Project	5		0	
Public Arts Funding	20		0	
Conservation Grants	36		0	
Replacement Dog Bins	11		0	
Newbold Comyn / Castle Farm Drainage	8		0	
I.T. Air Conditioning	34		0	
Electricity Back Up Generator	1		0	

STATEMENT OF CAPITAL EXPENDITURE

	Actual 2004 / 2005		Actual 2003 / 2004	
	£'000	£'000	£'000	£'000
OTHER SERVICES PROGRAMME (continued)				
Newbold Comyn Leisure Centre Toilets	0		6	
Kenilworth Cemetery Extension	0		3	
Pump Rooms	0		15	
Shopmobility	0		19	
SRB6	0		5	
CCTV Warwick	0		21	
Leamington Old Town	1	4,347	4	3,453
<u>Total Capital Expenditure</u>		<u>10,728</u>		<u>10,472</u>
FINANCED BY:				
Credit Approvals Used	0		1,795	
Capital Receipts	6,983		1,735	
Revenue & Other Contributions	3,745		6,942	
<u>Total Capital Financing</u>		<u>10,728</u>		<u>10,472</u>

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. CAPITAL RESERVES	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Useable Capital receipts £'000	Total Capital Reserves £'000
Balance at 1st April 2004	274,864	83,587	930	359,381
Net Surplus / (Deficit) for year	(5,759)	0	0	(5,759)
Unrealised gains on valuation of new fixed assets	959	0	0	959
Unrealised gains on revaluation of fixed assets	54,480	0	0	54,480
Unrealised losses on revaluation of fixed assets	0	0	0	0
Net cost/ (surplus) of disposal of fixed assets	(7,051)	(2,629)	12,037	2,357
Amounts payable to Housing Capital Receipts Pool	0	0	(799)	(799)
Financing of fixed assets	0	2,488	(6,983)	(4,495)
Balance at 31st March 2005	317,493	83,446	5,185	406,124

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

Balance at 1st April 2004	256,681	0	794	257,475
Net Surplus / (Deficit) for year	(4,940)	0	0	(4,940)
Unrealised gains on valuation of new fixed assets	410	0	0	410
Unrealised gains on revaluation of fixed assets	29,038	0	0	29,038
Unrealised losses on revaluation of fixed assets	0	0	0	0
Net cost/ (surplus) of disposal of fixed assets	(3,541)	0	4,618	1,077
Amounts payable to Housing Capital Receipts Pool	0	0	(799)	(799)
Financing of fixed assets	0	0	(3,819)	(3,819)
Balance at 31st March 2005	277,648	0	794	278,442

2. REVENUE RESERVES	Earmarked Reserves* £'000	General Fund £'000	Housing Revenue Account £'000	Total Revenue Reserves £'000
Balance at 1st April 2004	9,426	1,000	1,284	11,710
Net Surplus / (Deficit) for year	4,558	0	(82)	4,476
Balance at 31st March 2005	13,984	1,000	1,202	16,186

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

Balance at 1st April 2004	4,250	0	1,284	5,534
Net Surplus / (Deficit) for year	3,427	0	(82)	3,345
Balance at 31st March 2005	7,677	0	1,202	8,879

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

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

3. PENSION RESERVE	Pension Reserve £'000
Balance at 1st April 2004	(8,292)
Current Service Cost	(1,773)
Employer Contributions	1,230
Past Service Curtailment / Settlement Gain	(26)
Expected Return on Assets	3,350
Interest on Pension Liabilities	(3,612)
Actuarial Loss	(11,753)
Balance at 31st March 2005	<u>(20,876)</u>

The actuarial gains identified as movements on the Pensions Reserve in 2004/2005 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2005:

	£'000	
Difference between the expected and actual return on assets	1,312	2.5% of Assets
Difference between actuarial assumptions about liabilities and actual experience	(979)	1.3% of Liabilities
Changes in the demographic and financial assumptions used to estimate liabilities	(12,086)	16.6% of Liabilities
Actuarial Loss 2004/2005	<u>(11,753)</u>	
Actuarial Gain 2003/2004	7,423	

4. CONSOLIDATED BALANCE SHEET	Capital Reserves £'000	Revenue Reserves £'000	Pension Reserve £'000	Total Equity £'000
Balance 1st April 2004	359,381	11,710	(8,292)	362,799
Net Surplus / (Deficit) for year	46,743	4,476	(12,584)	38,635
Balance 31st March 2005	406,124	16,186	(20,876)	401,434

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

STATEMENT OF TOTAL MOVEMENTS IN EARMARKED RESERVES

	Balance 1 st April 2004 £'000	Net Surplus / Deficit (-) for Year £'000	Balance 31 st March 2005 £'000
GENERAL FUND			
Capital Reserves			
Car Parks Commuted Sums	231	0	231
Capital Investment	2,205	(547)	1,658
I.T. and New Equipment	413	(128)	285
GF External Contributions	0	476	476
RSL S106 External Contributions	0	771	771
WOLP External Contributions	0	199	199
Specific Revenue Reserves			
Grounds Maintenance Commuted Sums	768	(70)	698
Corporate Property	269	(33)	236
Insurance	440	(100)	340
Election Expenses	9	20	29
Art Fund	34	(1)	33
Energy Management	46	(33)	13
Best Value	103	2	105
Art Gallery Gift	59	(2)	57
Planning Appeals	282	4	286
Early Retirement	23	39	62
Collection Fund	78	31	109
Building Control	0	7	7
Earmarked Revenue Expenditure slipped from 2003/2004 to 2004/2005	215	(215)	0
Earmarked Revenue Expenditure slipped from 2004/2005 to 2005/2006	0	712	712
TOTAL GENERAL FUND	5,175	1,132	6,307
HOUSING REVENUE ACCOUNT			
Housing Repairs Reserves			
Housing Repairs Account	2,263	1,793	4,056
Specific Revenue Reserves			
Housing Early Retirement	31	6	37
TOTAL HOUSING REVENUE ACCOUNT	2,294	1,799	4,093
TOTAL EARMARKED RESERVES	7,469	2,931	10,400
MAJOR REPAIRS RESERVE	1,957	1,627	3,584
TOTAL	9,426	4,558	13,984

CASH FLOW STATEMENT

	Notes	Year Ended 31 st March 2005		Year Ended 31 st March 2004
		£'000	£'000	£'000
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to and on behalf of employees				13,980
Other operating cash payments				14,536
Housing Benefit paid out				8,288
Non-Domestic Rate payments to National Pool				46,668
Precepts Paid				50,193
				<hr/>
Cash Inflows				
Rents (after rebates)				(8,879)
Council Tax Receipts				(49,934)
Non-Domestic Rate receipts from National Pool				(4,401)
Non-Domestic Rate receipts				(44,870)
Revenue Support Grant				(3,877)
DWP grants for Housing Benefits				(12,745)
Other Government grants	1			(5,617)
Cash received for goods and services				(9,067)
				<hr/>
Net cash (inflow)/outflow from Revenue Activities	2			<hr/> (5,725)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
Interest paid				4,274
Interest element of finance lease rental payments				62
				<hr/>
Cash Inflows				
Interest received				(965)
				<hr/> (2,354)
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets				7,103
Purchase of long term investments	3 & 4			0
Other capital cash payments				6,851
				<hr/>
Cash Inflows				
Sale of fixed assets				(6,771)
Disposal of long term investments	3 & 4			(10,678)
Other capital cash receipts				(4,327)
				<hr/>
NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING				<hr/> (10,176)

CASH FLOW STATEMENT

	Notes	Year Ended 31 st March 2005		Year Ended 31 st March 2004
		£'000	£'000	£'000
NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING				(10,176)
MANAGEMENT OF LIQUID RESOURCES	3 & 4			
Net increase / (decrease) in short term deposits				(2,200)
Net increase / (decrease) in other liquid assets				649
				<u>(11,727)</u>
FINANCING	5			
Cash Outflows				
Repayments of amounts borrowed				12,250
Short term loans repaid	5			0
Capital element of finance lease rental payments				165
				<u>165</u>
Cash Inflows				
New short term loans	5			0
NET (INCREASE) / DECREASE IN CASH				<u>688</u>

NOTES TO THE CASH FLOW STATEMENT

1. GOVERNMENT GRANTS NOT IDENTIFIED ELSEWHERE

	2004/2005 £'000	2003/2004 £'000
Housing Revenue Account Subsidy		3,352
Housing Renovation Grants		137
Housing Benefit Administration Grant		650
Contribution towards Non-Domestic Rate collection		222
SRB		816
Implementing e-government		202
Communities Against Drugs		114
Planning Delivery Grant		62
Safer Communities		40
Implementation of Homelessness Act 2002		13
CCTV		9
Total Government Grants	<u> </u>	<u>5,617</u>

2. RECONCILIATION OF NET SURPLUS TO CASH FLOW FROM REVENUE

	2004/2005 £'000	2003/2004 £'000
General Fund Surplus		0
Housing Revenue Account Surplus		462
Add non-cash transactions:		
M.R.P.		(138)
Direct financing of capital expenditure		3,372
Contributions to / (from) earmarked reserves		(1,308)
	<u> </u>	<u>2,388</u>
Add Accruals basis items:		
Increase / (decrease) in provisions		60
Increase / (decrease) in revenue creditors		(1,318)
(Increase) / decrease in debtors		1,224
(Increase) / decrease in stocks and work in progress		0
	<u> </u>	<u>2,354</u>
Add Financing items shown in the Cash Flow Statement		
Returns on Investments and Servicing of Finance		3,371
	<u> </u>	<u>5,725</u>

NOTES TO THE CASH FLOW STATEMENT

3 LIQUID RESOURCES

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

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

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

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

	1/4/04 £'000	31/3/05 £'000	Change £'000	1/4/03 £'000	31/3/04 £'000	Change £'000
Liquid Resources						
Short Term Deposits				2,200	0	(2,200)
Other Liquid Assets				9,583	10,232	649
				<u>11,783</u>	<u>10,232</u>	<u>(1,551)</u>
Non-Liquid Resources						
Fixed Term Deposits etc				11,199	522	(10,677)
				<u>22,982</u>	<u>10,754</u>	<u>(12,228)</u>

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

Borrowing Repayable:	1/4/04 £'000	31/3/05 £'000	Change £'000	1/4/03 £'000	31/3/04 £'000	Change £'000
On demand or within 12 months	0	0	0	250	0	(250)
Within a period of over 12 months	0	0	0	12,000	0	(12,000)
Total Borrowing	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,250</u>	<u>0</u>	<u>(12,250)</u>

From the Cash Flow Statement:

	2004/2005 £'000	2003/2004 £'000
Repayments of amounts borrowed	0	(12,250)
New short term loans raised	0	0
Net Change in Borrowing	<u>0</u>	<u>(12,250)</u>

COLLECTION FUND

	Notes	Actual 2004/2005 £'000		Actual 2003/2004 £'000
INCOME				
Income from Council Tax (net of benefits and transitional relief)	2		(53,806)	(50,003)
Provision for Bad Debts and Appeals re Council Tax	2		0	0
Transfers from General Fund: - Council Tax Benefits	2		(5,632)	(5,031)
Contribution towards earlier years Collection Fund Deficit:				
- Warwickshire County Council		(184)		(367)
- Warwickshire Police Authority		(25)		(47)
- Warwick District Council		(26)	(235)	(52)
Income Collectable from Business Ratepayers	3		(47,671)	(45,030)
TOTAL INCOME			(107,344)	(100,530)
EXPENDITURE				
Bad Debts and Appeals re Council Tax				
- Write Offs	2	47		67
- Provision for Bad Debts and Appeals re Council Tax	2	49	96	1
Precepts and Demands:				
- Warwickshire County Council	4	46,890		43,596
- Warwickshire Police Authority	4	6,435		5,911
- Warwick District Council	4	6,582	59,907	6,014
Business Rates:				
- Payment to National Pool		47,450		44,809
- Warwick District Council		220	47,670	222
TOTAL EXPENDITURE			107,673	100,620
Net (Surplus) / Deficit for Year			329	90
BALANCES				
Balance 1 st April 2004			(671)	(581)
Surplus / (Deficit) for Year			(329)	(90)
Balance 31st March 2005			(1,000)	(671)

NOTES TO THE COLLECTION FUND

1. General

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

2. Council Tax

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

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Dwellings
A	3,547.18	6/9	2,376.61
B	8,508.00	7/9	6,617.35
C	13,249.50	8/9	11,777.32
D	10,271.25	9/9	10,271.25
E	5,669.50	11/9	6,929.38
F	4,320.00	13/9	6,240.01
G	3,355.75	15/9	5,592.91
H	345.00	18/9	690.00
	49,266.18		50,494.83
			349.80
			50,844.63
	COUNCIL TAX BASE 2004/2005		50,844.63

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

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,178.20 the original estimated Council Tax income, including Council Tax Benefit, credited to the Collection Fund was £59.91m compared with the actual income credited to the Fund of £59.44m which is made up as follows:

	£'000
Council Tax (net of benefits, transitional relief, bad debts and write offs)	53,806
Council Tax Benefits	5,632
INCOME FROM COUNCIL TAX 2004/2005	59,438

3. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate of 45.6p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total rateable value of properties in the Warwick District area was £121,803,029 at 31 March 2005

NOTES TO THE COLLECTION FUND

4. Names of Significant Preceptors on the Fund

The following authorities made a significant demand on the Collection Fund during 2004/2005:-

Warwickshire County Council	£46,889,557.03
Warwick District Council	£6,581,539.53
Warwickshire Police Authority	£6,434,541.09

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

Statement of Accounts Approved at Council Meeting 29th June 2005

Chair of the Council
Councillor David Shilton

The Responsible Financial Officer's Responsibilities

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

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

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

The Responsible Financial Officer has also:

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

STATEMENT OF INTERNAL CONTROL

WARWICK DISTRICT COUNCIL

STATEMENT OF INTERNAL CONTROL 2004/05

1 SCOPE OF RESPONSIBILITY

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

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

2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

The system of internal control has been in place at Warwick District Council for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts.

3 THE INTERNAL CONTROL ENVIRONMENT

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

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

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

3.2 The facilitation of policy and decision making

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

STATEMENT OF INTERNAL CONTROL

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

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

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

As part of the Service Planning process the impact of new laws is addressed. For example extensive work has been undertaken during 2003/2004 to address the impact and actions required to comply with the Freedom of Information Act.

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

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

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

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

Best value and scrutiny reviews are carried out by management and members to ensure that resources are being deployed economically, efficiently and effectively. The Council has a joint office member change Board which reviews the work of the best value reviews, and provides an

STATEMENT OF INTERNAL CONTROL

element of challenge. In addition, Internal Audit and external review agencies such as those previously referred to also carry out reviews in this area.

A further element of the Council's approach to continuous improvement is the Corporate Improvement Plan where all key improvements identified are input according to the European Quality Model Framework, which the Council uses as a tool to measure overall continuous improvement.

A piece of work which needs to be developed is on the use of comparative financial performance indicators and unit costs. This has been identified in a number of reviews including the new Use of Resources statement.

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

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

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

- Financial Standing – 3
- Internal Financial control – 3
- Standards of financial conduct and the prevention and detection of fraud and corruption – 4
- Financial statements – 4
- Legality of significant transactions – 4

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

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

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

4 REVIEW OF EFFECTIVENESS

Warwick District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the

STATEMENT OF INTERNAL CONTROL

executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

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

STATEMENT OF INTERNAL CONTROL

previous periods, comparison with other authorities where possible, and corrective actions for any under-performing services.

- The Council reviewed and revised the Code of Financial Practice during the year.
- In the Comprehensive Performance Assessment by the Audit Commission, performance management was assessed as a strong area. The CPA report stated that “performance management is embedded into the culture of the Council and good systems are in place to proactively manage performance with both councillors and management taking a strong lead.” The report also stated that “the Council has strong financial management and a good approach to risk management.” Overall, the Council was placed in the “Excellent” corporate assessment category.
- The Corporate Management Team have held a number of meetings with the Chairs of the Scrutiny Committees and this has led to new arrangements being agreed at the Annual Council Meeting in May.
- The Councils external auditors have shared two unfinalised reviews on fraud risk assessment and internal audit. This year the Council has new external auditors and together with changes in the external audit regime there are different expectations on internal audit. Issues 6 – 8 take on board the matters which are arising in these reviews.

Specifically, the review for the 2004/05 statement was informed by:

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

5 SIGNIFICANT INTERNAL CONTROL ISSUES

The following have been identified from work done on the statement above and in collecting the evidence required.

No.	Issue	Action to be undertaken in 2005/06	Resp
1.	Corporate Governance	Bring forward formal code for approval	SD (CR)
2.	Corporate Procurement	Bring forward updated procurement policy and action plan for approval	SD (CR)

STATEMENT OF INTERNAL CONTROL

3.	Business/Service Continuity	Continue to develop realistic grounded approach to business continuity	HoF/ SD (CR)
4.	Health and Safety	Bring forward revised policy together with procedures for review	HoEH/ SD (ES)
5.	Use of comparative financial performance and unit cost information	Bring forward proposals to use this information in a more systematic way	HoF/ SD (CR)
6.	Internal Audit	Work on the actions agreed in the (still to be) finalised version of the External Auditors report on internal audit.	HoF/ SD (CR)
7.	Anti-Fraud Work	Update anti-fraud and corruption policy and associated procedures	HoF/ SD (CR)
8.	Employee Code of Conduct	Update code of conduct and arrangements for employee declarations of interest	ACE (P)
<p>Key: SD (CR) – Strategic Director (Corporate Resources); HoF – (Head of Finance); HoEH – (Head of Environmental Health); SD (ES) – Strategic Director (Environmental Services); ACE (P) – Assistant Chief Executive (Personnel)</p>			

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

Signed

Janie Barrett
Chief Executive

Bob Crowther
Leader of the Council

Dated

RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents fairly the financial position of Warwick District Council at 31st March 2005 and its income and expenditure in the year ended 31st March 2005.

29/06/05

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