

**WARWICK DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2011/12 and**  
**ANNUAL GOVERNANCE STATEMENT**

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## FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

Financially, the Council is continuing to go through a very challenging period. The effects of the recession were evident throughout 2011/12, and continued to impact negatively on the local economy and communities. This has also impacted upon the Council, with income for some of its services, for example, car parking, and investment returns still being depressed. The recession has also increased the demand for some Council services, notably housing and council tax benefit. With the effects of the recession continuing to impact upon local government, the public sector and the whole economy, it is important that the Council maintains adequate reserves.

Despite these challenges, the Council finished the year in a more favourable position than expected, having been able to allocate £0.5m more to reserves than planned for when the budget was set for the year. This reflects the many savings that were made throughout the year. The Council has been in the enviable position of not having to cut services.

Expenditure on capital projects totalled £11.5m, £9.2m being on Housing schemes, and £2.3m on other projects. Spending on some major projects was deferred until 2012/13. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations.

At 31 March 2012 the Council held £1.5m in the General Fund Balance, and £21.2m in earmarked reserves of which £8.6m is in respect of the Housing Revenue Account.

From 2012/13, the Housing Revenue Account (HRA) Subsidy regime has ceased and been replaced by "Self Financing". For Warwick District Council in recent years the subsidy system has entailed the Council having to pay up to £8m per annum to the Government by way of "negative subsidy". Along with all other local authorities in a similar position, the Council has had to buy its way out of the old system with a one-off payment, this being £136.2m in our case. This payment was made on 28 March 2012, and entailed the Council taking out debt of this amount from the Public Works Loans Board. This one transaction has totally changed the Council's balance sheet. Looking forward, under the Self Financing, the Council will have substantially more freedom in how it manages its housing stock, and will have scope to re-invest in new dwellings, something it has not been able to do for many years.

Looking forward, there continues to be concern as to how the limited public sector finances will impact upon the Council. Government Grant was reduced for 2011/12 and 2012/13, with further reductions expected in future years. The Council's financial projections are based upon Revenue Support Grant being reduced by 34% over the period 2011/12 to 2014/15 to £5.9m. As part of its agreed Fit For the Future programme, the Council has plans to ensure that its financial position is sustainable in the future by reducing costs. There are no plans to cut services. The Council is in a strong financial position thanks to its level of reserves. This is enabling it to make the savings necessary without reducing services.

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# GUIDE TO THE FINANCIAL STATEMENTS

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

**Page 8**    **Statement of Responsibilities**

This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.

**Page 9**    **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

**Page 10**    **Comprehensive Income and Expenditure Statement**

This statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

**Page 11**    **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority.

**Page 12**    **Cash Flow Statement**

This statement shows the changes in cash and cash equivalents of the authority during the reporting period.

**Page 84**    **HRA Income and Expenditure Statement**

This statement shows in more detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement.

**Page 85**    **Movement on the Housing Revenue Account Statement**

This statement shows the movement in the year on the different reserves held for the Housing Revenue Account, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves.

**Page 92**    **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 93**    **Housing Repairs Account**

This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.

**Page 94**    **Collection Fund**

This statement details the transactions relating to the collection of council tax and national non-domestic rates (NNDR). The Council acts as an agent to collect council tax on behalf of Warwickshire County Council and Warwickshire Police Authority and NNDR on behalf of the Government.

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

# EXPLANATORY FOREWORD

## 1. General Fund Summary

In February 2011 the Council approved a total net expenditure budget for 2011/12 of £15.9m (excluding Parish Precepts) and set a band D council tax for the district of £146.86. The following table shows how the net expenditure compared to the original estimates:

<u>General Fund Net Service Expenditure</u>	<b>Original £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
Central Services to the Public	1,168	976	(192)
Cultural and Related Expenses	6,376	6,129	(247)
Environmental Services	5,990	6,036	46
Planning and Development Services	3,011	3,800	789
Highways, Roads and Transport Services	(190)	(1,409)	(1,219)
Housing Services	1,872	878	(994)
Corporate and Democratic Core	2,226	1,699	(527)
Non Distributed Costs	597	240	(357)
Support Services	183	-	(183)
<b>TOTAL GENERAL FUND NET EXPENDITURE</b>	<b>21,233</b>	<b>18,349</b>	<b>(2,884)</b>
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(4,047)	(2,762)	1,285
- Adjust Loan Repayments, RCCO and Interest Paid	1	31	30
Net External Interest Received	(316)	(376)	(60)
Revenue Contributions to Capital	10	762	752
Contributions to / (from) Reserves	(306)	68	374
IAS19 Adjustments	(624)	(82)	542
Accumulated Absences Account	-	9	9
Contributions to / (from) General Fund	(100)	(100)	-
<b>NET EXPENDITURE FOR DISTRICT PURPOSES</b>	<b>15,851</b>	<b>15,899</b>	<b>48</b>
Less Council Tax, General Revenue Grants and Collection Fund Deficit	(15,851)	(16,232)	(381)
<b>(SURPLUS) / DEFICIT FOR YEAR</b>	<b>-</b>	<b>(333)</b>	<b>(333)</b>

The main factors affecting the above table are:

- Several initiatives and revenue programmes that were not completed during 2010/11, amounting to £948,100, were carried forward to 2011/12 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 similar programme slippages during 2011/12 of £753,500 which have been carried forward to 2012/13 as earmarked reserves.

Other major items are:

- Salaries, and associated overheads, were underspent by £478,000;
- Various savings have been found totalling £111,000;
- Rent income was down by £129,000;
- Net costs of Housing and Council Tax benefits increased by £216,000.

# EXPLANATORY FOREWORD

## 2. Housing Revenue Account

In February 2011, the Council approved a total net deficit budget on Council Housing for 2011/12 of £2,360,400 incorporating an estimated average rent increase of £5.28 per week, calculated using government rent restructuring guidelines. The actual average rent of £75.79 for 2011/12 was an increase of £5.28 over the average rent of £70.51 for 2010/11.

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

<u>Housing Revenue Account</u>	<b>Original £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
Expenditure	23,068	26,198	3,130
HRA Self-Financing Payment	-	136,157	136,157
Income	(23,663)	(24,273)	(610)
<b>Net Cost of HRA Services</b>	<b>(595)</b>	<b>138,082</b>	<b>138,677</b>
IAS19 Adjustments	(56)	(6)	50
Amortised Premiums and Discounts	297	297	-
Interest and Investment Income	(148)	(181)	(33)
HRA Self-Financing Adjustment	-	(136,157)	(136,157)
Appropriations and Other Adjustments	2,862	(706)	(3,568)
<b>(SURPLUS) / DEFICIT FOR YEAR</b>	<b>2,360</b>	<b>1,329</b>	<b>(1,031)</b>

As a result of the valuation exercise carried out by the District Valuer at 31/3/2012 Impairments, totalling £5.1m, were charged to the HRA. This reflects the impact that the current economic climate is having on house prices.

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£22.8m), and other income and charges (£1.5m). See pages 84 to 93 for more details.

## 3. Balance Sheet

The Balance Sheet reflects the current value of the Council's Property, Plant and Equipment which together with its Heritage and Investment Properties totals £306m. The Council is no longer debt-free following the advent of the Housing self financing regime which saw the Council take on £136.2m of debt to buy itself out of the Housing Subsidy regime.

During 2011/12 net current assets decreased by £1.5m from £32.4m to £30.9m. The main items being an increase in short term investments (+£1.0m), cash and equivalents (+£1.3m) and short term creditors (-£2.8m) less a decrease in Assets Held For Sale (-£0.7m) and sundry creditors (-£0.3m).

A total of £21.2m is held in earmarked reserves. Of this total, £8.5m is held for housing improvement, £3.9m is for future other capital investment and the remaining £8.8m is for specific revenue items. A full list of these reserves can be found in Note 8 to the Accounts.

A further £1.0m is held for future major housing repairs.

# EXPLANATORY FOREWORD

## 4. Collection Fund

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

During 2011/12 £79.7m (£78.9m in 2010/11) of Council Tax was received. The precepts and demands on the Collection Fund were: Warwickshire County Council (£61.5m), Warwick District Council (£8.9m of which £1.1m relates to Town and Parish Council precepts) and Warwickshire Police Authority (£9.3m). A deficit of £338,865 for the year reduced the opening surplus balance of £17,716 on the Fund to a closing deficit balance of £321,150. The deficit will be collected from the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (43.3p for 2011/12) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £60.7m of Business Rates (NDR) was collected during 2011/12 (£59.2m in 2010/11). 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 £6.0m for 2011/12 (£9.1m in 2010/11) from the National Pool. An allowance of £214,500 (£213,900 in 2010/11) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 94 to 97.

## 5. Capital Expenditure

Capital investment of £11.5m took place during the year. The main items of expenditure are:

- |   |              |
|---|--------------|
| - Council Housing Improvement / Renewal Works           | £8.4 million |
| - Purchase and refurbishment of Jubilee House           | £1.1 million |
| - Leisure & Cultural Facilities                         | £0.7 million |
| - Private Sector Renewal and Disabled Facilities Grants | £0.5 million |

Net capital expenditure was financed from the Council's internal resources - usable capital receipts (£1.2m), reserves (£9.2m) and revenue (£0.4m) - and Government Grants and other contributions (£0.7m).

During the year 3 council houses were sold under the Right to Buy legislation, 1 council house was disposed of as part of the sale of Wilton House together with 2 other properties and Housing land in Queens Square Warwick was also sold.

## 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.

Following the need to borrow £136m to buy itself out of the Housing Subsidy regime, the Council lost its debt free status at the end of 2011/12, a status it had held after previously repaying its remaining external long term debt in 2003/04. The loans were all taken from the Public Works Loans Board and were for varying maturities of between 41 and 50 years in line with the Self Financing Business Plan requirements.

## **EXPLANATORY FOREWORD**

### **7. Euro Costs**

The Council, as part of its routine Treasury Management activities, continues to review the impact of the euro on its ongoing operations. 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 IAS 19 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 2012 this Council's pension fund liability is £28.0m. 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 2006/07 to 2011/12 the Council's contribution rate has increased, and will be increased in future years, to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in Note 41 in the Notes to the Accounts.

### **9. Impact of Economic Climate**

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns. GDP growth in the UK was disappointing during the year under the weight of the UK austerity programme, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the EU. The EU sovereign debt crisis grew in intensity during the year until February when a second bailout package was eventually agreed for Greece. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2% but then fell to 3.4% in February, with further falls expected to below 2% over the next two years.

The latest Bank Rate forecast from our Treasury Consultants shows that Bank Rate is unlikely to start rising from its current 0.50% until quarter 1 of 2014 rather than quarter 3 of 2013 as previously envisaged. The Council's projections for its investment income are based on Bank Rate beginning to rise from quarter 1 2013 and any delay to this will have a negative impact on the Council's investment returns.

### **10. Change in Accounting Policies**

There has been a change in Accounting Policy in 2011/12 in relation to the recognition of Heritage Assets within the Council's Balance Sheet for the first time. Previously not recognised, it has been necessary to identify and value these assets in order that they can be brought onto the balance sheet in 2011/12 to conform with the requirements of the Local Authority Accounting Code of Practice and FRS30.

Consequently, the 2010/11 opening balances on the Revaluation Reserve and Capital Adjustment Account have been restated by £2.2m and £6.3m respectively to reflect the asset values. Note 46 to the Accounts provides more details.

# STATEMENT OF RESPONSIBILITIES

## 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 Chief 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 on 27 September 2012

Chair of the Council Meeting  
Councillor Michael Kinson

## The Chief Financial Officer's Responsibilities

The Chief 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).

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief 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.

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2012 and its income and expenditure in the year ended 31 March 2012.

18 September 2012

Mike Snow C.P.F.A.  
Chief Financial Officer  
Warwick District Council  
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## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (Deficit) on the provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net Increase / (Decrease) before transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>	<b>3,948</b>	<b>9,087</b>	<b>8,361</b>	<b>2,047</b>	<b>2,310</b>	<b>3,218</b>	<b>692</b>	<b>29,663</b>	<b>374,289</b>	<b>403,952</b>
<b>Movement in reserves during 2010/11</b>										
Surplus or (Deficit) on provision of services (accounting basis)	1,385	-	(91,660)	-	-	-	-	(90,275)	-	(90,275)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(864)	(864)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,385</b>	<b>-</b>	<b>(91,660)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(90,275)</b>	<b>(864)</b>	<b>(91,139)</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	156	-	92,448	-	(17)	(805)	74	91,856	(91,856)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,541</b>	<b>-</b>	<b>788</b>	<b>-</b>	<b>(17)</b>	<b>(805)</b>	<b>74</b>	<b>1,581</b>	<b>(92,720)</b>	<b>(91,139)</b>
Transfers to / (from) Earmarked Reserves (Note 8)	(3,843)	3,843	239	(239)	-	-	-	-	-	-
<b>Increase / (Decrease) in 2010/11</b>	<b>(2,302)</b>	<b>3,843</b>	<b>1,027</b>	<b>(239)</b>	<b>(17)</b>	<b>(805)</b>	<b>74</b>	<b>1,581</b>	<b>(92,720)</b>	<b>(91,139)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>1,646</b>	<b>12,930</b>	<b>9,388</b>	<b>1,808</b>	<b>2,293</b>	<b>2,413</b>	<b>766</b>	<b>31,244</b>	<b>281,569</b>	<b>312,813</b>
<b>Movement in reserves during 2011/12</b>										
Surplus or (Deficit) on provision of services (accounting basis)	(1,698)	-	(137,481)	-	-	-	-	(139,179)	-	(139,179)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(2,770)	(2,770)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,698)</b>	<b>-</b>	<b>(137,481)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(139,179)</b>	<b>(2,770)</b>	<b>(141,949)</b>
Adjustments between accounting basis and funding basis under regulations (Note 7)	1,290	-	136,127	-	1,870	(1,403)	(21)	137,863	(137,863)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(408)</b>	<b>-</b>	<b>(1,354)</b>	<b>-</b>	<b>1,870</b>	<b>(1,403)</b>	<b>(21)</b>	<b>(1,316)</b>	<b>(140,633)</b>	<b>(141,949)</b>
Transfers to / (from) Earmarked Reserves (Note 8)	308	(308)	(6,784)	6,784	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(100)</b>	<b>(308)</b>	<b>(8,138)</b>	<b>6,784</b>	<b>1,870</b>	<b>(1,403)</b>	<b>(21)</b>	<b>(1,316)</b>	<b>(140,633)</b>	<b>(141,949)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>1,546</b>	<b>12,622</b>	<b>1,250</b>	<b>8,592</b>	<b>4,163</b>	<b>1,010</b>	<b>745</b>	<b>29,928</b>	<b>140,936</b>	<b>170,864</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Net Expenditure 2010/11 £000		Notes	Gross Expenditure 2011/12 £000	Gross Income 2011/12 £000	Net Expenditure 2011/12 £000
10,991	(9,806)	1,185	Central Services to the Public		10,593	(9,617)	976
10,220	(3,563)	6,657	Cultural and Related Services		9,341	(3,212)	6,129
9,030	(2,943)	6,087	Environmental Services		9,008	(2,972)	6,036
5,273	(2,403)	2,870	Planning and Development Services		5,353	(1,278)	4,075
3,054	(2,628)	426	Highways, Roads and Transport Services		1,335	(2,731)	(1,396)
94,659	-	94,659	Local Authority Housing (HRA): Revaluation Impairments		-	-	-
-	-	-	Local Authority Housing (HRA): Settlement payment to Government for HRA self-financing		136,157	-	136,157
20,312	(22,532)	(2,220)	Local Authority Housing (HRA): Other		26,099	(24,273)	1,826
32,206	(30,953)	1,253	Other Housing Services		32,797	(31,919)	878
2,323	(3)	2,320	Corporate and Democratic Core		1,797	1	1,798
(6,066)	-	(6,066)	Non-Distributed Costs - change in inflation factor for retirement benefits	41	-	-	-
428	-	428	Non-Distributed Costs - other		240	-	240
<b>182,430</b>	<b>(74,831)</b>	<b>107,599</b>	<b>Cost of Services - continuing operations</b>		<b>232,720</b>	<b>(76,001)</b>	<b>156,719</b>
1,692	(659)	1,033	Other Operating Expenditure	9	1,358	(570)	788
5,966	(6,282)	(316)	Financing and Investment Income and Expenditure	10	5,639	(6,209)	(570)
-	(19,919)	(19,919)	Taxation and Non-Specific Grant Income	11	-	(17,744)	(17,744)
2,299	(421)	1,878	Surplus or Deficit of Transferred Operations: Concessionary Fares	30	(14)	-	(14)
		<b>90,275</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>139,179</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		9,708	(Surplus) or Deficit on revaluation of Property, Plant and Equipment assets				(3,317)
		-	Recognition in year of civic regalia				(11)
		-	(Surplus) or Deficit on revaluation of available for sale financial assets				-
		(8,844)	Actuarial (gains) / losses on pension assets / liabilities				6,098
		<b>864</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>2,770</b>
		<b>91,139</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>141,949</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 29 June 2012.

<b>Restated 1 April 2010 £000</b>	<b>Restated 31 March 2011 £000</b>		<b>Notes</b>	<b>31 March 2012 £000</b>
		<b>Operational Assets:</b>		
392,761	284,481	Property, Plant and Equipment	12	288,180
8,465	8,465	Heritage Assets	14	8,719
9,210	10,388	Investment Properties	15	9,221
195	153	Intangible Assets	16	113
2	2	Long Term Investments	17	2
94	103	Long Term Debtors	17	83
<b>410,727</b>	<b>303,592</b>	<b>LONG TERM ASSETS</b>		<b>306,318</b>
24,130	29,230	Short Term Investments	17	30,219
-	884	Assets Held for Sale	18	150
16	56	Inventories	19	56
8,324	5,141	Short Term Debtors	20	4,882
5,631	3,979	Cash and Cash Equivalents	21	5,288
<b>38,101</b>	<b>39,290</b>	<b>CURRENT ASSETS</b>		<b>40,595</b>
(8,022)	(6,804)	Short Term Creditors	22	(9,594)
(108)	(118)	Insurance Provision Liabilities payable in less than 1 year	23	(98)
<b>(8,130)</b>	<b>(6,922)</b>	<b>CURRENT LIABILITIES</b>		<b>(9,692)</b>
-	-	Long Term Creditors		-
(274)	(213)	Insurance Provision Liabilities payable in more than 1 year	23	(240)
-	-	Long Term Borrowing	17	(136,209)
(32)	(18)	Other Long Term Liabilities	17	(124)
(1,882)	(1,598)	Capital External Grants/Contributions in Advance	35	(1,811)
(34,558)	(21,318)	Net Pensions Liability	41	(27,973)
<b>(36,746)</b>	<b>(23,147)</b>	<b>LONG TERM LIABILITIES</b>		<b>(166,357)</b>
<b>403,952</b>	<b>312,813</b>	<b>NET ASSETS</b>		<b>170,864</b>
29,663	31,244	Usable Reserves	24	<b>29,928</b>
374,289	281,569	Unusable Reserves	25	<b>140,936</b>
<b>403,952</b>	<b>312,813</b>	<b>TOTAL RESERVES</b>		<b>170,864</b>

## CASH FLOW STATEMENT

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

<b>2010/11</b>		<b>Notes</b>	<b>2011/12</b>
<b>£000</b>			<b>£000</b>
90,275	Net (Surplus) or deficit on the provision of services		139,179
(100,149)	Adjust net (surplus) or deficit on the provision of services for noncash movements	26	(14,635)
659	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	26	3,639
<b>(9,215)</b>	<b>Net cash flows from Operating Activities</b>	26	<b>128,183</b>
10,867	Investing Activities	27	6,551
-	Financing Activities	28	(136,043)
<b>1,652</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(1,309)</b>
(5,631)	Cash and cash equivalents at the beginning of the reporting period		(3,979)
<b>(3,979)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(5,288)</b>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### a. **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by the International Financial Reporting Standards (IFRS).

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

### b. **Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services required (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract, except where amended as appropriate by statute (e.g. "soft loans").

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### c. **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

# NOTES TO THE ACCOUNTS

## **d. Business Improvement District schemes**

Business Improvement District (BID) schemes are projects for the benefit of a particular area within the district that are financed by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area. There was one BID scheme in operation during 2011/12 - in Leamington Spa - for which the Council acts as an agent. The following amounts only are recognised in the Council's service expenditure:

- The BID levies due on the Council's non-domestic properties within the BID area are recorded against the relevant service area that the property relates to;
- BID levy collection costs and associated (reimbursement) income are shown in Net Cost of Services under the relevant service in the Comprehensive Income and Expenditure Statement.

## **e. Cash and Cash Equivalents**

For this Council, cash is represented by cash in hand and current account bank balances. Cash equivalents are highly liquid investments with financial institutions which are repayable on demand or within 24 hours with no or little effect on the principal element of the investment e.g. the Money Market Funds or Business Reserve type accounts held with various banks.

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

## **f. Acquisition and Transferred Operations**

Responsibility for administering a statutory concessionary fares scheme transferred from district councils to county councils with effect from 1 April 2011.

## **g. Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when

## NOTES TO THE ACCOUNTS

the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove notional debits and credits for pension enhancement termination benefits and replace them with debits and credits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Warwickshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

### Local Government Pension Scheme

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

- The liabilities of the Warwickshire County Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on a weighted average of “spot yields” on AA rated corporate bonds.
- The assets of the Warwickshire County Council Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property securities – current bid price.
- The change in the net pensions liability is analysed into seven components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. Following the Government’s announcement to change pension increases from the retail price index to the consumer price index the Pension Fund actuaries have estimated a past service gain for 2010/11 of £6,066,000 which has been shown in the Comprehensive Income and Expenditure Statement as an Exceptional Item.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term

## NOTES TO THE ACCOUNTS

return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
- contributions paid to the Warwickshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

### **h. Events After the Balance Sheet date**

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

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

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

### **i. Exceptional Items**

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council’s financial performance.



## NOTES TO THE ACCOUNTS

### **j. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

### **k. Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most liabilities that the Council has, the amount presented in the Balance Sheet is the original amount repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year under the terms of the liability.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the loss over the term that was remaining on the loan against which the premium was payable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council took out £136.157m in PWLB fixed interest rate long term loans with varying maturities of between 41 and 50 years on the 28<sup>th</sup> March 2012 in order to fulfil its obligations under the new HRA self financing regime. Although PWLB long term loans are carried in the balance sheet at amortised cost, the Council is required to disclose the fair value of these loans. This requires a calculation of the net present value of the cash flows that are scheduled to take place over the remaining life of each loan. The fair value of these loans will be different to the amortised cost if prevailing interest rates differ from those applicable to the loans when taken out.

The fair value of these PWLB loans at 31<sup>st</sup> March is £145,236,429 as the interest rates on 31<sup>st</sup> March were lower than those in force when the loans were taken out.

#### **Financial Assets**

Financial assets are classified into two types:

## NOTES TO THE ACCOUNTS

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments. No such assets exist in the Balance Sheet within this category.

### **Loans and Receivables**

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

Any loans made by the Council at less than market rates are called “soft loans”. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the recipient, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of the amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. It has been determined that the few “soft” loans that the Council has require no adjustment to the accounts as they are de-minimis.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. No such impairments were required to be made in 2011/12.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Available-for-sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable

## NOTES TO THE ACCOUNTS

payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **I. Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no such gains or losses at 31<sup>st</sup> March 2012.

### **m. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are legally binding stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

## NOTES TO THE ACCOUNTS

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### n. Heritage Assets

#### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).**

The Council's Heritage Assets are principally held in the Council's Art Gallery and Museum. The Art Gallery and Museum has 7 ( Visual Arts, Decorative Arts, Archaeology, Ethnography, Numismatics, Pictorial and Social History ) collections of heritage assets which are held in support of the primary objective of the Council's Art Gallery and Museum, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's collections of heritage assets are accounted for as follows:

#### • **Visual Arts Collection**

- The Visual Arts collection includes paintings (both oil and watercolour) and sketches and is reported in the Balance Sheet at market value. The collection was last externally valued in 2008 with subsequent revaluations due at five yearly intervals. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation (also covering gifts and bequests). Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuer.

#### • **Decorative Arts Collection**

- The decorative arts collection includes ceramics, porcelain, glass and other artefacts of a similar nature. As with the Visual Arts collection, the collection was last externally valued in 2008 with subsequent revaluations due at five yearly intervals. The assets within the Decorative Arts collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation (also covering gifts and bequests). Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuer.

#### • **Other Collections**

- The Art Gallery and Museum also has collections covering archaeology, Ethnography, Numismatics, Pictorial and Social History. The various artefacts within these collections, e.g. jugs, arrowheads, clothing, coins, photographs and

## NOTES TO THE ACCOUNTS

documents are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation. In respect of these collections, acquisitions are usually made by donation, gift or bequest although some exhibits have been purchased over the years. Purchases are initially recognised at cost and then recognised at valuation with valuations provided by an external valuer. Donated, gifted and bequeathed artefacts are valued externally if the exhibit is likely to have a significant value otherwise a nominal value of £50 for each artefact is applied.

- **Abbey Fields Barn**

- Previously treated as a Community Asset at no historic cost, the Abbey Fields Barn has been reclassified to Heritage Assets and a valuation obtained from the District Valuer. In future, this asset will be included in the Council's rolling programme of asset valuations.

### **Heritage Assets – General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note t in this summary of significant accounting policies. There is a strong presumption against the disposal of any items in the Art Gallery and Museum collections but once a decision to dispose, either by gift, exchange, sale or in the case of badly damaged exhibits by destruction has been taken priority will be given to retaining it within the public domain. The proceeds of any items sold are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes t and w in this summary of significant accounting policies) and re-invested for the Art Gallery and Museum collections. There were no disposals in 2011/12.

- o. **Intangible Assets**

Expenditure above the capital de-minimis limit of £20,000 on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the Council's website is not capitalised as it is primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. Where a finite life can be identified, the depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. If no finite life can be identified, the asset is held on the balance sheet at its original value but is subject to an annual impairment review. An asset is tested for impairment

## NOTES TO THE ACCOUNTS

whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. The Intangible Assets with no finite lives within the Balance Sheet have been tested for impairment and no losses revealed.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **p. Inventories and long-term contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **q. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, which will usually be market value i.e. the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued regularly in accordance with the Council's revaluation policies and are tested annually for impairments in value. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **r. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Council entered into a Finance lease for photocopiers during 2011/12. All other leases are classified as operating leases.

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

## NOTES TO THE ACCOUNTS

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the assets. The Council has one arrangement of this nature as a depot has been leased by a contractor specifically to carry out repairs contracts relating to the Council's housing stock. This "embedded lease" has been assessed as an operating lease and accounted for accordingly.

### **The Council as Lessee**

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on

## NOTES TO THE ACCOUNTS

disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property– applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at commencement of the lease). Where identifiable, initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### s. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Accounting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.



# NOTES TO THE ACCOUNTS

## t. Property, Plant and Equipment

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

### Recognition

The Council has a de-minimis limit of £20,000 in relation to capital expenditure and expenditure above this limit on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure below the de-minimis limit or that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

### Measurement

Assets are initially measured at cost, comprising

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

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

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

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

- 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 2011/12 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. The adoption of FRS 30 "Heritage Assets" gave the Council the option to either continue to carry its Community Assets at historic cost or to have them valued on the same basis as Heritage Assets. The Council continues to record its 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) at historical cost.
- A number of values in the Balance Sheet for General Fund properties are based on 1 April 2010, 31<sup>st</sup> March 2011, 1<sup>st</sup> April 2011 or 31<sup>st</sup> March 2012 valuations. The rest of the values in the Balance Sheet for General Fund properties are based on 1<sup>st</sup> April 2009 valuations. These have been updated, where appropriate, for capital

## NOTES TO THE ACCOUNTS

expenditure, sales, impairments and depreciation in 2011/12 to provide the value at 31<sup>st</sup> March 2012 as shown in the Balance Sheet. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency. For Housing Revenue Account properties (excluding some land which is valued at 1<sup>st</sup> April 2010) the valuation is based upon the valuation at 1st April 2012 provided by the District Valuer.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Also gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account and this has happened in 2011/12 in the General Fund, mainly in respect of Car Parks.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. During 2011/12, such charges were debited to the Comprehensive Income and Expenditure mainly in respect of some Car Parks and Jubilee House.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

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

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

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

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

The Council's housing stock is valued annually on an Existing Use – Social Housing (EUV-SH) basis which is defined as the value that a property, if sold, would sell for assuming that it continued to be used for social housing purposes. It is derived from the open market value discounted down by a regional adjustment factor, defined by DCLG, which for the West Midlands is 34% i.e. the EUV-SH value is 34% of the open market value. The adjustment factor reflects the fact that sitting tenants enjoy rents

## NOTES TO THE ACCOUNTS

lower than open market rents and tenants' rights including Right to Buy. The annual revaluation carried out by the District Valuer identified an impairment of £5.6m in respect of the buildings element of the Housing Stock which was charged to the Housing Revenue Account. This was offset by an increase of £0.5m in the value of the land element of the Housing Stock which was credited to the Housing Revenue Account. However, such revaluation changes are not to impact on the "bottom line" of the HRA and have been reversed out and debited to the Capital Adjustments Account.

Due to the economic climate an impairment review of certain General Fund assets was carried out by the District Valuer at the end of 2011/12 and no impairment in value identified. An internal review of equipment assets identified £39k of equipment which was obsolete or no longer in existence and this was debited to the relevant service account and then reversed out to the Capital Adjustments Account so that there was no impact on the Council's finances.

### Depreciation

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

Depreciation is calculated on the following bases:

<b>Asset Type</b>	<b>Depreciation Method</b>	<b>Period of Years</b>
General Fund Buildings	Straight Line	5 to 60 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Heritage Assets – Buildings	Straight Line	Up to 90 years
Surplus Assets	Straight Line	3 to 23 years
Vehicles, Plant, Furniture and Equipment	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	28 to 60 years
HRA Garages	Straight Line	10 years

ere an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

For this Council the de minimis threshold will be a Current Net Book Value of £500,000 or greater. Individual items of Property, Plant and Equipment below this level will not be assessed for componentisation on the grounds that the difference in depreciation will be limited.

The Council is required to assess its assets for components when either the asset is first acquired or when it has capital expenditure incurred upon it or when the asset has been revalued.

In respect of the General Fund assets, those revalued at 1<sup>st</sup> April 2011 with Current Net Book Values of £500,000 or above, principally the Crematorium and some Car Parks, have been assessed based on information supplied by the District Valuer and it has been found that the depreciation calculated for the individual components, essentially structure, roof, fittings & furnishings, M & E, external works and land is not materially different to that charged for the asset as a whole and therefore depreciation of the separate components is not required.

## NOTES TO THE ACCOUNTS

The Council revalues its General Fund assets on a one-fifth annual rolling basis and as each fifth comes up for valuation each asset within that tranche where the Current Net Book Value is £500,000 or greater will be assessed for component depreciation and if there is a material increase in depreciation when compared with depreciation charged on the whole asset then that asset will be accounted for and depreciated based on its separate components.

With regard to assets within the Housing Revenue Account, guidance from DCLG has been received indicating that leading up to the commencement of the self financing regime on 1<sup>st</sup> April 2012 and for the first five years thereafter, depreciation on Council Housing stock should continue on the existing basis i.e. the use of the Major Repairs Allowance allocation for the year where that is a reasonable proxy for depreciation. For the rest of the assets in the Housing Revenue Account e.g. shops, garages, offices etc. each asset should have its components separately depreciated but only where there is likely to be a significant change to the depreciation levied on the whole asset. The relevant assets have been reviewed and given that the amount of depreciation charged against each whole asset is relatively insignificant, the conclusion has been reached that there would be no significant difference in overall depreciation if each individual component were to be separately depreciated.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value i.e. market value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. At the end of 2011/12, it was expected that two properties, 21 Church Street Warwick and the Old Art Gallery & Museum in Avenue Road would be sold in 2012/13. Consequently, the Old Art Gallery & Museum has been reclassified from Surplus Assets to Assets Held for Sale with a value in the balance sheet of £150,000. As a result of the revaluation carried out on its reclassification, a revaluation loss based on its value as a surplus asset as opposed to its market value as an asset up for sale of £20,000 has been debited to the Surplus/Deficit on Services and then reversed out to the Capital Adjustments Account in order to ensure that there is no impact on the Council's finances for the year. It should be noted that 21 Church Street Warwick House is an Investment Property and as such the code does not permit its transfer to Assets Held for Sale and it continues to be accounted for as Investment Property within the balance sheet until the actual date of its disposal.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

## NOTES TO THE ACCOUNTS

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of the £10,000 capital receipts de-minimis limit are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Usable Capital Receipts at 31 March 2012 amounted to £4,163,309. Interest on usable capital receipts held during the year is credited to the General Fund.

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

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

#### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be

## NOTES TO THE ACCOUNTS

made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

### **Contingent Assets**

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

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

### **v. Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

### **w. Revenue Expenditure Funded From Capital Under Statute**

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

### **x. Value Added Tax**

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

### **y. 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.

### **z. Interest Charges**

Interest is credited to the Housing Revenue Account in respect of its revenue, capital and reserve balances during the year. This is calculated using the actual external

## NOTES TO THE ACCOUNTS

investment rate. All remaining interest income is credited to the General Fund Revenue Account.

### aa. Agency Income and Expenditure

Expenditure and income relating to agency services is not included in the Comprehensive Income and Expenditure Statement since it is not incurred as part of the Council's normal responsibilities. Information in respect of agency work is disclosed as a note to the accounts.

The collection of council tax and NNDR is treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances of arrears, prepayments and bad debt provisions are apportioned out and only the Council's share is included in the Balance Sheet.

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

For 2011/12 the only accounting policy that needs to be reported relates to amendments to IFRS 7 *Financial Instruments*. Because the Code is not adopting IFRS 7 until 2012/13 no accounting policy is applicable.

### 3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.

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

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £342k for every

## NOTES TO THE ACCOUNTS

	be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.	year that the useful lives had to be reduced.
Provisions	The Council has made provisions for insurance cover in respect of outstanding claims from the public and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31 March 2012 where such excesses have been negotiated when agreeing premiums.	An increase over the forthcoming year of 10% in settlements would have the effect of adding £13,000 to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The Pensions actuary will set the employer's pension contribution rates to ensure that pension liabilities are met.
Arrears	At 31 March 2012, the Council had a balance of arrears of Housing Rents, Council Tax and other sundry debtors for £4.438m. A review of the above suggested that an impairment of doubtful debts of 36.73% (£1.63m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.63m to be set aside as an allowance.

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

### **5. Material Items of Income and Expense**

There are no material items of income and expense that are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

### **6. Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Finance on 29 June 2012. Events taking place after this date are not reflected in the financial statements or



## NOTES TO THE ACCOUNTS

notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **7. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

#### **General Fund Balance**

The General Fund Balance is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to funding Housing Revenue Account services.

#### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

#### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to be applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

#### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

#### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

# NOTES TO THE ACCOUNTS

2011/12

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(1,899)	-		(2,537)		4,436
Revaluation losses on Property Plant and Equipment	-	(5,141)				5,141
Movements in the market value of Investment Properties	264	-				(264)
Amortisation of intangible assets	(69)	-				69
Capital grants and contributions applied	638	-			21	(659)
Movement in the Donated Assets Reserve						-
Revenue expenditure funded from capital under statute	(778)	(90)				868
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(2,314)	(321)				2,635
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
HRA Self Financing Payment to Government	-	(136,157)				136,157
Capital expenditure charged against General Fund and HRA balances	1,125	3,263				(4,388)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-				-
Application of grants to capital financing transferred to the Capital Adjustment Account	98	-				(98)

# NOTES TO THE ACCOUNTS

2011/12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	2,434	825	(3,259)			-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	1,148			(1,148)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			-			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(241)	-	241			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement						-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	1,234		(1,234)		
Use of the Major Repairs Reserve to finance new capital expenditure	-	-		5,174		(5,174)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	297				(297)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(2,250)	(237)				2,487
Employer's pensions contributions and direct payments to pensioners payable in the year	1,731	199				(1,930)

# NOTES TO THE ACCOUNTS

2011/12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(38)	-				38
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	1				(10)
<b>Total Adjustments</b>	<b>(1,290)</b>	<b>(136,127)</b>	<b>(1,870)</b>	<b>1,403</b>	<b>21</b>	<b>137,863</b>

# NOTES TO THE ACCOUNTS

2010/11

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(5,480)	-		(3,400)		8,880
Revaluation losses on Property Plant and Equipment	(47)	(94,989)				95,036
Movements in the market value of Investment Properties	1,056	-				(1,056)
Amortisation of intangible assets	(75)	-				75
Capital grants and contributions applied	250	-				(250)
Movement in the Donated Assets Reserve						-
Revenue expenditure funded from capital under statute	(1,016)	(64)				1,080
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	14	(199)				185
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	-					-
Capital expenditure charged against General Fund and HRA balances	1,162	1,224				(2,386)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	286	-			(285)	(1)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-			211	(211)

# NOTES TO THE ACCOUNTS

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement		910	(910)			-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	309			(309)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			-			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(618)	-	618			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement						-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	299		(299)		
Use of the Major Repairs Reserve to finance new capital expenditure	-	-		4,504		(4,504)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(45)	391				(346)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	2,744	(208)				(2,536)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,670	190				(1,860)

# NOTES TO THE ACCOUNTS

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(10)	-				10
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(47)	(2)				49
<b>Total Adjustments</b>	<b>(156)</b>	<b>(92,448)</b>	<b>17</b>	<b>805</b>	<b>(74)</b>	<b>91,856</b>

# NOTES TO THE ACCOUNTS

## 8. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
<b>General Fund:</b>							
Capital Investment	2,758	(1,167)	2,087	3,678	(529)	665	3,814
Corporate Property Programme Reserve	164	-	3	167	(170)	3	-
Gym Equipment Replacement Reserve	63	-	31	94	(64)	33	63
Art Fund Reserve	40	-	4	44	-	3	47
Art Gallery Gift Reserve	55	-	1	56	-	1	57
Assembly Rooms Rep. and Renew. Res	7	-	1	8	(8)	-	-
Building Control Reserve	83	-	43	126	-	51	177
Car Parks Repairs & Maintenance Reserve	-	-	125	125	-	52	177
Earmarked Balances Reserve	1,643	(1,643)	1,340	1,340	(1,340)	754	754
Election Expenses	52	-	31	83	(80)	2	5
Energy Management	84	-	11	95	-	9	104
Equipment Renewals Reserve	1,449	(36)	429	1,842	(521)	314	1,635
G M Commuted Sums	526	(69)	26	483	(69)	10	424
GF Early Retirements Reserve	312	(42)	6	276	(129)	146	293
Insurance Reserve	354	-	7	361	-	7	368
Planning Appeal Reserve	550	(9)	186	727	(77)	10	660
Play Equipment Reserve	-	-	200	200	-	280	480
Public Open Space Planning Gain Reserve	-	-	28	28	-	4	32
Revenue Grants / Contributions Received in Advance	-	-	863	863	(149)	28	742
Services Transformation Reserve	-	-	1,475	1,475	-	375	1,850
St Marys Lands/Forbes Estate Community	-	-	-	-	-	120	120
Spend To Save Reserve	947	(262)	119	804	(88)	13	729
Tourism Reserve	-	-	55	55	-	36	91
<b>TOTAL GENERAL FUND</b>	<b>9,087</b>	<b>(3,228)</b>	<b>7,071</b>	<b>12,930</b>	<b>(3,224)</b>	<b>2,916</b>	<b>12,622</b>
<b>HRA:</b>							
Housing Repairs Account	1,989	(5,197)	4,942	1,734	(9,408)	7,674	-
HRA Capital Investment Reserve	-	-	-	-	-	8,508	8,508
HRA Early Retirements Reserve	58	(2)	8	64	-	10	74
HRA Rev Grants/Contribs In Advance Res	-	-	10	10	-	-	10
<b>TOTAL HRA</b>	<b>2,047</b>	<b>(5,199)</b>	<b>4,960</b>	<b>1,808</b>	<b>(9,408)</b>	<b>16,192</b>	<b>8,592</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>11,134</b>	<b>(8,427)</b>	<b>12,031</b>	<b>14,738</b>	<b>(12,632)</b>	<b>19,108</b>	<b>21,214</b>



# NOTES TO THE ACCOUNTS

## 9. Other Operating Expenditure

Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Net Expenditure 2010/11 £000		Gross Expenditure 2011/12 £000	Gross Income 2011/12 £000	Net Expenditure 2011/12 £000
1,074	-	1,074	Parish Council Precepts	1,117	-	1,117
618	-	618	Payments to Govt. Housing Capital Receipts Pool	241	-	241
-	(659)	(659)	Gain or loss on the disposal of non-current assets	-	(570)	(570)
<b>1,692</b>	<b>(659)</b>	<b>1,033</b>	<b>Total</b>	<b>1,358</b>	<b>(570)</b>	<b>788</b>

## 10. Financing and Investment Income and Expenditure

Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Net Expenditure 2010/11 £000		Gross Expenditure 2011/12 £000	Gross Income 2011/12 £000	Net Expenditure 2011/12 £000
-	-	-	Interest Payable and similar charges	57	-	57
-	(521)	(521)	Interest receivable and similar income	-	(557)	(557)
405	(1,662)	(1,257)	Income and expenditure in relation to investment properties and changes in their fair value	328	(867)	(539)
-	-	-	Investment (Gains) / Losses	-	-	-
5,561	-	5,561	Pensions Interest Cost	5,254	-	5,254
-	(4,099)	(4,099)	Expected Return on Pensions Assets	-	(4,785)	(4,785)
<b>5,966</b>	<b>(6,282)</b>	<b>(316)</b>	<b>Total</b>	<b>5,639</b>	<b>(6,209)</b>	<b>(570)</b>

## 11. Taxation and Non Specific Grant Incomes

Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Net Expenditure 2010/11 £000		Gross Expenditure 2011/12 £000	Gross Income 2011/12 £000	Net Expenditure 2011/12 £000
-	(8,793)	(8,793)	Council Tax income	-	(8,900)	(8,900)
-	(1,367)	(1,367)	Non-ringfenced Government Grants	-	(2,424)	(2,424)
-	(9,136)	(9,136)	Non-Domestic Rates Distribution	-	(5,986)	(5,986)
-	(623)	(623)	Capital Grants and Contributions	-	(434)	(434)
<b>-</b>	<b>(19,919)</b>	<b>(19,919)</b>	<b>Total</b>	<b>-</b>	<b>(17,744)</b>	<b>(17,744)</b>

# NOTES TO THE ACCOUNTS

## 12. Property, Plant and Equipment

### Movements on Balances

Movements in 2011/12

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2011	222,291	52,397	6,117	886	6,711	767	20	289,189
Additions	8,428	1,567	492	130	93	-	-	10,710
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	1,203	-	-	14	(44)	-	1,173
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(7,179)	167	-	-	-	(26)	-	(7,038)
Derecognition - disposals	(121)	(200)	-	-	-	-	-	(321)
Derecognition - other	-	-	-	-	-	-	(11)	(11)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	(150)	-	(150)
Other movements in cost or valuation	-	4	-	-	-	-	(4)	-
At 31 March 2012	223,419	55,138	6,609	1,016	6,818	547	5	293,552
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	-	(1,187)	(3,047)	(87)	(151)	(236)	-	(4,708)
Depreciation charge for 2011/12	(2,038)	(1,951)	(744)	(23)	(45)	(27)	-	(4,828)
Depreciation written out to the Revaluation Reserve	-	1,837	-	-	-	55	-	1,892
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,038	273	-	-	-	-	-	2,311
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	(39)	-	-	-	-	(39)
Derecognition - disposals	-	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2012	-	(1,028)	(3,830)	(110)	(196)	(208)	-	(5,372)
<b>Net Book Value</b>								
31 March 2012	223,419	54,110	2,779	906	6,622	339	5	288,180
31 March 2011	222,291	51,210	3,070	799	6,560	531	20	284,481

# NOTES TO THE ACCOUNTS

## Movements on Balances

Movements in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2010	324,477	56,953	5,755	886	6,660	1,117	362	396,210
Additions	5,732	54	362	-	51	675	-	6,874
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(10,462)	(1,003)	-	-	-	30	-	(11,435)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(97,317)	(3,440)	-	-	-	(125)	-	(100,882)
Derecognition - disposals	(139)	(45)	-	-	-	-	-	(184)
Derecognition - other	-	-	-	-	-	-	(342)	(342)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	(930)	-	(930)
Other movements in cost or valuation	-	(122)	-	-	-	-	-	(122)
At 31 March 2011	222,291	52,397	6,117	886	6,711	767	20	289,189
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2010	-	(806)	(2,266)	(64)	(105)	(208)	-	(3,449)
Depreciation charge for 2010/11	(2,944)	(1,972)	(781)	(23)	(46)	(37)	-	(5,803)
Depreciation written out to the Revaluation Reserve	286	1,760	-	-	-	9	-	2,055
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,658	183	-	-	-	-	-	2,841
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(326)	-	-	-	-	-	(326)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(26)	-	-	-	-	-	(26)
Derecognition - disposals	-	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2011	-	(1,187)	(3,047)	(87)	(151)	(236)	-	(4,708)
<b>Net Book Value</b>								
<b>31 March 2011</b>	<b>222,291</b>	<b>51,210</b>	<b>3,070</b>	<b>799</b>	<b>6,560</b>	<b>531</b>	<b>20</b>	<b>284,481</b>
<b>31 March 2010</b>	<b>324,477</b>	<b>56,147</b>	<b>3,489</b>	<b>822</b>	<b>6,555</b>	<b>909</b>	<b>362</b>	<b>392,761</b>

## NOTES TO THE ACCOUNTS

The Vehicles, Plant & Equipment Net Book Value at 31<sup>st</sup> March 2012 is split between owned assets of £2,644k and £115k Finance leased assets relating to photocopiers.

### Depreciation

The following useful lives and depreciation rates have been used in calculation of depreciation:

- Council dwellings: 90 years
- Other Land and Buildings: 5 – 60 years
- Vehicles, Plant, Furniture and Equipment: 3 – 21 years
- Infrastructure: 40 years
- Community Assets up to 50 years
- Surplus Assets 3 – 23 years

### Capital Commitments and Planned Works

At 31 March 2012, the Council has entered into a number of contracts for construction or enhancement of Property, Plant and Equipment in 2012/13 and future years and further planned works budgeted to cost £13.4m. Similar commitments at 31 March 2011 were £15.0m. The major commitments are:

	<b>£000</b>
<b>General Fund:</b>	
Urban and Rural Initiative Grants	411
Kenilworth Public Service Centre	382
Car Parks	317
Leamington Spa One Stop Shop	296
Leisure Facilities	220
Conservation Action Programme	199
Leamington Cemetery Extension	168
<b>Housing Investment Programme:</b>	
Council House Improvements / Renewal	6,405
Housing Association Schemes	1,844
Asbestos Surveys	1,077
Renovation Grants	722

### Revaluations

The values of the Council Dwellings and Other HRA Property (shops, offices, community centres, garages, surgery and hostel) are based on valuations at 1 April 2012. In the case of land (excluding the land element of the Council Dwellings and Other HRA Property) the valuation date is 1<sup>st</sup> April 2010. The Council Dwellings and Other HRA Property in the Housing Revenue Account are subject to an annual "desktop" review with a full revaluation once every five years, the last one of which was carried out for the 1 April 2010 valuation. The 2012 valuation was undertaken by Mr. P.D.Chapman MRICS for the District Valuer. Previous years valuations were undertaken by Mr. I.Wilson MRICS for the District Valuer. During 2011/12 a further one fifth of the General Fund Property Assets was valued as at 1st April 2011 in what was the second year of a five year rolling programme which will provide more up to date Balance Sheet values than would occur with a wholesale revaluation once every five years. The valuations were undertaken by Mr.P.D.Chapman MRICS for the District Valuer and Mr. C.Makasis MRICS, the Council's Estates Manager.

The values at 31<sup>st</sup> March 2012 also take account of any depreciation, impairments and in year capital expenditure which has occurred since the last valuation took place for that specific asset.

Due to the continuing poor economic conditions prevailing in 2011/12, the District Valuer (Mr. P.D.Chapman and others) has also undertaken an impairment review on the Council's General Fund Property Assets and this information has been used in providing the 31st March 2012 values.

## NOTES TO THE ACCOUNTS

Operational Property Assets, excluding Community Assets, Infrastructure Assets and Equipment are valued at open market value for existing use or depreciated replacement cost based on modern equivalent assets (MEA). Community and Infrastructure Assets are valued at historical cost as are Equipment Assets due to the nature of their short lives. Non Operational Property Assets and Investment Properties are valued at open market value.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, etc. £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	377	2,664	906	6,622	-	5	10,574
Valued at fair value as at:								
- 2011/12	223,419	43,377	-	-	-	264	-	267,060
- 2010/11	-	8,144	-	-	-	-	-	8,144
- 2009/10	-	1,413	-	-	-	75	-	1,488
- 2008/09	-	799	-	-	-	-	-	799
<b>Total Cost or Valuation</b>	<b>223,419</b>	<b>54,110</b>	<b>2,664</b>	<b>906</b>	<b>6,622</b>	<b>339</b>	<b>5</b>	<b>288,065</b>

It should be noted that the total figure in the above table does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £115,000. This difference relates to the balance outstanding at 31 March 2012 on the Photocopiers Finance lease (see note 38) which is not included in the table above.

### 13. Community Assets

The Council's Community Assets (Jephson Gardens, St Mary's Lands, Victoria Park etc.) are currently held in the balance sheet on a historic cost basis. The adoption by the Code of FRS 30 as outlined in Note 1 adds the option for the Council to change from a historic cost basis to a valuation basis as described in Note 1. The Council has decided to continue reporting Community Assets on a historical cost basis. During 2011/12 the Abbey Fields Barn has been identified as a Heritage Asset and transferred from Community Assets to Heritage Assets at nil value.

# NOTES TO THE ACCOUNTS

## 14. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Decorative Arts Collection £000	Visual Arts Collection £000	Other £000	Total Assets £000
<b>Cost or Valuation</b>				
1 April 2010	355	7,558	553	8,466
Additions	-	-	1	1
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-
Depreciation	-	-	-	-
<b>31 March 2011</b>	<b>355</b>	<b>7,558</b>	<b>554</b>	<b>8,467</b>
<b>Cost or Valuation</b>				
1 April 2011	355	7,558	554	8,467
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	252	252
Impairment Losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses / (reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-
Depreciation	-	-	-	-
<b>31 March 2012</b>	<b>355</b>	<b>7,558</b>	<b>806</b>	<b>8,719</b>

### Decorative Arts & Visual Arts Collections

The Council's collections of Decorative Arts (ceramics, porcelain, glass and other artefacts of a similar nature) and Visual Arts (paintings and drawings) are included in the balance sheet at market value based upon an insurance valuation done in 2008 with subsequent valuations due every five years so a revaluation is due to be carried out in the near future. There were no acquisitions or disposals during 2011/12 and no assets were found to be impaired.

### Other

This comprises the remainder of the Art Gallery and Museum's collections (Archaeology, Ethnography, Numismatics, Pictorial and Social History) and also the Abbey Fields Barn. In the case of the Art Gallery and Museum's collections some articles have been valued

## NOTES TO THE ACCOUNTS

externally but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff.

The Abbey Field Barn has been valued by the District Valuer at £252,000 on a depreciated replacement cost basis and has been included in the balance sheet at that value. Depreciation will be applied to this asset from 2012/13 based on the remaining life in years determined by the District Valuer.

In the Art Collection there are 2 significant exhibits of donated assets for which there are no conditions outstanding. The first is a painting by P. Champaigne "St Peters Penitence" which is valued at £500,000 and the second is a painting by L.S. Lowery "The Mission Room" which is valued at £235,000.

There were no additions or disposals in relation to Heritage Assets during 2011/12.

### 15. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement:

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
Rental income from investment property	<b>603</b>	606
Direct operating expenses arising from investment property	<b>(328)</b>	(405)
	<hr/>	<hr/>
<b>Net gain / (loss)</b>	<b>275</b>	201

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
<b>Balance at start of the year</b>	<b>10,388</b>	9,210
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	<b>(1,431)</b>	-
Net gains / losses from fair value adjustments	<b>264</b>	1,056
Transfers:		
- to / from Inventories	-	-
- to / from Property, Plant and Equipment	-	122
Other changes	-	-
	<hr/>	<hr/>
<b>Balance at end of year</b>	<b>9,221</b>	10,388

Within the Housing Revenue Account the Council has a number of shops etc. which whilst still forming part of its Operational non-current assets are leased out on a commercial

## NOTES TO THE ACCOUNTS

basis in order to derive rental income. These properties generate rental income of £336,000. Details of these properties are disclosed in Note 38 Leases.

### 16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences and software.

Wherever appropriate, software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The remaining useful lives assigned to the major software suites and licences used by the Council are:

0 years	Microsoft Office upgrades	Amount amortised	£17,040
0 years	Electronic Database Licences	Amount amortised	£1,410
2 years	Financial Management System	Amount Amortised	£9,400
6 years	e-Consultation Software	Amount Amortised	£1,244
2 years	Oracle DB Enterprise Software	Amount Amortised	£10,871

The carrying amount of intangible assets is amortised on a straight-line basis but where the intangible asset has an indefinite life then the value of that asset is left on the balance sheet and not amortised to revenue. During 2011/12 no expenditure was incurred on intangible assets with an indefinite life but the Intangible Assets in the balance brought forward from 2010/11 includes the new Committee System, the IDOX Public Access module for the Planning System and a Process Management module for the Active H Housing Management system, all of whom have no finite lives. Although not amortised to revenue, they are however subject to an annual impairment review which could result in charges being made to revenue should any of them be no longer performing at its previous level. For instance if the Process Management module was made redundant by being replaced by a more up to date version then any costs relating to it still remaining in the balance sheet would have to be written off to revenue and then reversed out to the Capital Adjustments Account so that there is no detrimental impact on the council's finances. Such a review took place at the end of 2011/12 and no impairments were found.

The movement on Intangible Asset balances during the year is as follows:



## NOTES TO THE ACCOUNTS

	2011/12			2010/11		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Balance at start of year:						
- Gross carrying amount	797	23	820	786	-	786
- Accumulated amortisation	(667)	-	(667)	(591)	-	(591)
<b>Net carrying amount at start of year</b>	<b>130</b>	<b>23</b>	<b>153</b>	<b>195</b>	<b>-</b>	<b>195</b>
Additions:						
- Purchases	29	-	29	11	23	34
Disposals	-	-	-	-	-	-
Revaluations increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised or reversed Surplus / Deficit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	(69)	-	(69)	(76)	-	(76)
Other changes	-	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>90</b>	<b>23</b>	<b>113</b>	<b>130</b>	<b>23</b>	<b>153</b>
<b>Comprising:</b>						
- Gross carrying amount	826	23	849	797	23	820
- Accumulated amortisation	(736)	-	(736)	(667)	-	(667)
	<b>90</b>	<b>23</b>	<b>113</b>	<b>130</b>	<b>23</b>	<b>153</b>

The Intangible Assets balance at 31 March includes expenditure relating to the Warwickshire On Line Partnership (original cost £92,000 of which £45,804 remains) transferred to the Council from North Warwickshire Borough Council as its share of the overall cost of setting up the On Line Partnership. This expenditure was originally financed by Government Grant under the Implementing Electronic Government initiative. However, the Council does not revalue this software as no comparable licences are currently commercially available for purchase.

# NOTES TO THE ACCOUNTS

## 17. Financial Instruments

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

	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
<b>Investments:</b>				
Loans and receivables	2	2	35,504	33,206
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial Assets at fair value through profit and loss	-	-	-	-
<b>Total Investments</b>	<b>2</b>	<b>2</b>	<b>35,504</b>	<b>33,206</b>
<b>Debtors:</b>				
Loans and receivables	83	103	5,702	4,857
Financial Assets carried at contract amounts	-	-	-	-
<b>Total Debtors</b>	<b>83</b>	<b>103</b>	<b>5,702</b>	<b>4,857</b>
<b>Borrowings:</b>				
Financial Liabilities at amortised cost	(136,245)	-	(80)	-
Financial Liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<b>(136,245)</b>	<b>-</b>	<b>(80)</b>	<b>-</b>
<b>Creditors:</b>				
Financial Liabilities at amortised cost	-	-	(12,255)	(9,933)
Financial Liabilities carried at contract amounts	-	-	-	-
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(12,255)</b>	<b>(9,933)</b>

# NOTES TO THE ACCOUNTS

## Income, Expense, Gains and Losses

	2011/12						2010/11					
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000		Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	
Interest expense	(57)	-	-	-	(57)	-	-	-	-	-	-	
Losses on derecognition	-	-	-	-	-	-	-	-	-	-	-	
Reductions in fair value	-	-	-	-	-	-	-	-	-	-	-	
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	
Fee expense	-	-	-	-	-	-	-	-	-	-	-	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(57)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Interest income	-	556	-	-	556	-	520	-	-	-	520	
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-	-	
Increases in fair value	-	-	-	-	-	-	-	-	-	-	-	
Gains on derecognition	-	-	-	-	-	-	-	-	-	-	-	
Fee income	-	-	-	-	-	-	-	-	-	-	-	
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>556</b>	<b>-</b>	<b>-</b>	<b>556</b>	<b>-</b>	<b>520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>520</b>	
Gains on revaluation	-	-	-	-	-	-	-	-	-	-	-	
Losses on revaluation	-	-	-	-	-	-	-	-	-	-	-	
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-	-	
<b>Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net gain / (loss) for the year</b>	<b>(57)</b>	<b>556</b>	<b>-</b>	<b>-</b>	<b>499</b>	<b>-</b>	<b>520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>520</b>	

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed using the following assumptions:

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

For each of the categories of Financial Assets and Liabilities an assessment of the carrying amount against fair value has been made and in all cases the carrying amount was found to be equal to fair value. For instance, in respect of trade receivables and payables this was because they are of short duration and have no stated interest rate and with respect to investments the carrying and fair values are the same due to the investments having fixed principal, interest rates and terms, or in the case of Money Market Funds, which are

## NOTES TO THE ACCOUNTS

subject to variable daily interest rates, the investments are of such short duration that the effective interest rate and the actual interest rates are essentially the same.

### 18. Assets Held for Sale

	Current		Non-Current	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
<b>Balance outstanding at start of year</b>	<b>884</b>	-	-	-
Assets newly classified as held for sale:				
- Property, Plant and Equipment	150	930	-	-
- Intangible Assets	-	-	-	-
- Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	(46)	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
- Property, Plant and Equipment	-	-	-	-
- Intangible Assets	-	-	-	-
- Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(884)	-	-	-
Transfers from non-current to current	-	-	-	-
Other movements	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>150</b>	<b>884</b>	-	-

### 19. Inventories

	Consumable Stores	
	2011/12 £000	2010/11 £000
<b>Balance outstanding at start of year</b>	<b>56</b>	16
Purchases	123	121
Recognised as an expense in the year	(123)	(81)
<b>Balance outstanding at year-end</b>	<b>56</b>	<b>56</b>

# NOTES TO THE ACCOUNTS

## 20. Debtors

	31 March 2012 £000	31 March 2011 £000
<b>Debtors:</b>		
Central Government Bodies	418	1,403
Other Local Authorities	1,650	1,354
NHS Bodies	1	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	4,438	3,755
	<hr/>	<hr/>
<b>TOTAL DEBTORS</b>	<b>6,507</b>	6,512
<b>Bad Debt Provisions:</b>		
Council Tax Payers	(57)	(46)
Housing Tenants	(1,004)	(921)
Housing Benefits - Rent Allowances	(420)	(260)
Other Debtors	(144)	(144)
	<hr/>	<hr/>
<b>TOTAL BAD DEBT PROVISIONS</b>	<b>(1,625)</b>	(1,371)
	<hr/>	<hr/>
<b>NET SHORT TERM DEBTORS</b>	<b>4,882</b>	<b>5,141</b>

## 21. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2012 £000	31 March 2011 £000
Cash held by the Council	4	3
Bank current accounts	596	227
Short term deposits with Money Market Funds	4,688	3,749
	<hr/>	<hr/>
<b>Total Cash and Cash Equivalents</b>	<b>5,288</b>	3,979

## 22. Creditors

	31 March 2012 £000	31 March 2011 £000
Central Government Bodies	1,843	464
Other Local Authorities	792	638
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	6,959	5,702
	<hr/>	<hr/>
<b>TOTAL CREDITORS</b>	<b>9,594</b>	6,804

# NOTES TO THE ACCOUNTS

## 23. Provisions

	General Fund £000	HRA £000	Total £000
<b><u>Insurance Provisions &gt; 1 year:</u></b>			
<b>Balance at 1 April 2011</b>	<b>184</b>	<b>29</b>	<b>213</b>
Additional provisions made in 2011/12	-	172	172
Amounts used in 2011/12	-	-	-
Unused amounts reversed in 2011/12	(34)	-	(34)
Amounts payable < 1 year transferred to short term creditors	(14)	(97)	(111)
<b>Balance at 31 March 2012</b>	<b>136</b>	<b>104</b>	<b>240</b>
<b><u>Insurance Provisions &lt; 1 year:</u></b>			
<b>Balance at 1 April 2011</b>	<b>93</b>	<b>25</b>	<b>118</b>
Additional provisions made in 2011/12	-	-	-
Amounts used in 2011/12	(34)	(97)	(131)
Unused amounts reversed in 2011/12	-	-	-
Amounts payable < 1 year transferred from L/T Insurance Provision	14	97	111
<b>Balance at 31 March 2012</b>	<b>73</b>	<b>25</b>	<b>98</b>

Provisions have been made for 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 2012 where such excesses have been negotiated when agreeing premiums. Total provision for these insurance commitments is £338,000. Separate provisions are maintained for the General Fund and the Housing Revenue Account and these are further split between liabilities of less than 1 year (GF £73,000, HRA £25,000) and greater than 1 year (GF £136,000, HRA £104,000).

The future payments from the provisions are:

Due within 1 year	£98,000
Due between 1 and 5 years	£240,000
Due between 5 and 10 years	£0

## 24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8 – Transfers to / from Earmarked Reserves.

31 March 2011 £000		31 March 2012 £000
1,646	General Fund Revenue Balance	1,546
9,388	Housing Revenue Account Balance	1,250
2,413	Major Repairs Reserve	1,010
2,293	Usable Capital Receipts Reserve	4,163
766	External Capital Grants / Contributions Unapplied	745
14,738	Earmarked Reserves	21,214
<b>31,244</b>	<b>TOTAL USABLE RESERVES</b>	<b>29,928</b>

# NOTES TO THE ACCOUNTS

## 25. Unusable Reserves

31 March 2011 £000		31 March 2012 £000
11,358	Revaluation Reserve	14,192
-	Available-for-sale Financial Instruments Reserve	-
292,461	Capital Adjustment Account	155,380
(619)	Financial Instruments Adjustment Account	(322)
(21,318)	Pensions Reserve	(27,973)
2	Collection Fund Adjustment Account	(36)
(315)	Accumulated Absences Account	(305)
<b>281,569</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>140,936</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. It also includes the gains made when assets e.g. Heritage Assets ( except donated Heritage Assets ) are recognised in the balance sheet for the first time. Plant, Equipment and Intangible Assets are currently valued on a Historic Cost basis therefore the Revaluation Reserve does not contain any balances for these non-current assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £000		2011/12 £000	£000
21,255	<b>Balance at 1 April</b>		<b>11,358</b>
1,039	Upward revaluation of assets	3,806	
(10,747)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(489)	
(9,708)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		3,317
110	Previous Revaluation Gains transferred from Capital Adjustments Account re Investment Properties re-classified to Operational Assets		-
-	Recognition of Heritage Assets on Donation		15
(299)	Difference between fair value depreciation and historical cost depreciation	(498)	
-	Accumulated gains on assets sold or scrapped	-	
(189)	Amount written off to the Capital Adjustment Account		(498)
<b>11,358</b>	<b>Balance at 31 March</b>		<b>14,192</b>

## NOTES TO THE ACCOUNTS

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed determinable payments. The balance is reduced when investments with accumulated gains are:

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

At the end of 2011/12, the Council had no investments which fell within the definition of Available for Sale Financial Instruments.

2010/11 £000	2011/12 £000	£000
- <b>Balance at 1 April</b>		-
Upward revaluation of investments	-	
Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	-	
	<hr/>	-
Accumulated gains on assets sold and maturing assets within the Invesco portfolio written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		
- <b>Balance at 31 March</b>		-

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and Assets Held for Sale and in the case of Heritage Assets the gains on initial recognition of donated Heritage Assets with no outstanding conditions. Should the Council acquire any further donated assets in the future, the gains recognised on these assets that have yet to be consumed by the Council will also be held in this account.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The Account also contains the effects of the special one-off payment to DCLG (£136,157m) made on 28 March 2012 which was required to buy out the Governments share of the Housing Stock on the creation of the HRA Self Financing Regime on 1 April 2012.

The following table provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



## NOTES TO THE ACCOUNTS

2010/11 £000		2011/12 £000	£000
388,811	<b>Balance at 1 April ( credit )</b>		<b>292,461</b>
	<b>Note: figures in brackets are debits</b>		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(104,413)	- Charges for depreciation, impairment and net revaluation gains / losses of non-current assets	(9,604)	
498	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	-	
(75)	- Amortisation of intangible assets	(69)	
(1,080)	- Revenue expenditure funded from capital under statute	(868)	
(342)	- Transfer to revenue of capital grant consumed in previous years on 2010/11 aborted scheme	-	
(185)	- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(2,635)	
<u>(105,597)</u>			<u>(13,176)</u>
(110)	Previous Revaluation Gains transferred to Revaluation Reserve re Investment Properties re-classified to Operational Assets		-
299	Difference between fair value depreciation and historical cost depreciation		494
<u>(105,408)</u>	Net written out amount of the cost of non-current assets consumed in the year		<u>(12,682)</u>
	Capital Financing applied in the year:		
309	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,148	
4,504	- Use of the Major Repairs Reserve to finance new capital expenditure	5,174	
592	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	659	
211	- Application of grants to capital financing from the Capital Grants Unapplied Account	98	
-	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(136,157)	
2,386	- Capital expenditure charged against the General Fund and HRA balances	4,388	
<u>8,002</u>			<u>(124,690)</u>
-	Minimum Revenue Provision		27
1,056	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		264
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
<u>292,461</u>	<b>Balance at 31 March</b>		<u>155,380</u>

### Financial Instruments Adjustment Account

## NOTES TO THE ACCOUNTS

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid in the past on the early redemption of loans. The balance on this account is amortised to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 46 years.

2010/11 £000		2011/12 £000	£000
(965)	<b>Balance at 1 April</b>		<b>(619)</b>
	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
346	Proportion of premiums incurred in previous financial years to be charged against the General Fund & HRA Balances in accordance with statutory requirements	297	
	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		297
	<b>(619) Balance at 31 March</b>		<b>(322)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £000		2011/12 £000
(34,558)	<b>Balance at 1 April</b>	<b>(21,318)</b>
8,844	Actuarial gains or losses on pensions assets and liabilities	(6,098)
2,536	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,487)
1,860	Employer's pensions contributions and direct payments to pensions payable in the year	1,930
	<b>(21,318) Balance at 31 March</b>	<b>(27,973)</b>

## NOTES TO THE ACCOUNTS

### Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
12	<b>Balance at 1 April</b>	<b>2</b>
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
(10)		(38)
<u>2</u>	<b>Balance at 31 March</b>	<u>(36)</u>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £000		2011/12 £000	£000
(266)	<b>Balance at 1 April</b>		<b>(315)</b>
	Settlement or cancellation of accrual made at the end of the preceding year		
266		315	
(315)	Amounts accrued at the end of the current year	(305)	
<u>(49)</u>	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		<u>10</u>
<u>(315)</u>	<b>Balance at 31 March</b>		<u>(305)</u>

# NOTES TO THE ACCOUNTS

## 26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

a) Adjust net (surplus)/deficit on the provision of services for non-cash movements

2010/11 £000		2011/12 £000
(5,802)	Depreciation	(4,828)
(97,059)	Impairment & revaluations in consolidated income and expenditure	(4,502)
(75)	Amortisation of intangible assets	(69)
4,396	Movement in pension liability	(557)
51	(Increase) / decrease in provisions	(7)
57	(Increase) / decrease in creditors	(1,527)
(1,988)	Increase / (decrease) in debtors	(687)
(1)	(Increase) / decrease in provision for bad debt	(254)
40	Increase / (decrease) in inventories	-
(185)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(2,635)
(17)	Other non-cash items charged to the net surplus or deficit on the provision of services	431
(100,583)	<b>Adjust net (surplus)/deficit on the provision of services for non-cash movements</b>	<b>(14,635)</b>

b) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities

2010/11 £000		2011/12 £000
-	Investment Gains / (Losses)	-
843	Proceeds from the sale of PPE, investment properties and intangible assets	3,205
250	Any other items for which the cash effects are investing or financing cash flows	434
1,093	<b>Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities</b>	<b>3,639</b>

c) Interest and Dividends included within net cash flows from Operating Activities

2010/11 £000		2011/12 £000
(431)	Interest received	(546)
-	Interest paid	1
-	Interest Element of finance lease payments	4
-	Dividends received	-

## NOTES TO THE ACCOUNTS

### **27. Cash Flow Statement – Investing Activities**

2010/11 £000		2011/12 £000
8,084	Purchase of property, plant and equipment, investment property and intangible assets	9,283
5,000	Purchase of short-term and long-term investments	1,000
-	Other payments for investing activities	-
(904)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(3,211)
-	Proceeds from short-term and long-term investments	-
(1,313)	Other receipts from investing activities	(521)
<b>10,867</b>	<b>Net cash flows from investing activities</b>	<b>6,551</b>

### **28. Cash Flow Statement – Financing Activities**

2010/11 £000		2011/12 £000
-	Cash receipts of short- and long-term borrowing	(136,157)
-	Other receipts from financing activities	-
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	27
-	Repayments of short- and long-term borrowing	-
-	Other payments for financing activities	87
-	<b>Net cash flows from financing activities</b>	<b>(136,043)</b>

### **29. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across portfolio areas. These reports are prepared on the same basis as the accounting policies used in the financial statements.

The income and expenditure of the Council's portfolio areas recorded in the budget reports for the year is as follows:

## NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2011/12	COMMUNITY & CORPORATE			ENVIRONMENT & COMMUNITY		HOUSING & PROPERTY		STRATEGIC	HOUSING	TOTAL
	SERVICES	CULTURE	DEVELOPMENT	PROTECTION	FINANCE	G. FUND	NEIGHBOURHOOD	LEADERSHIP	REVENUE	
	£000	£000	£000	£000	£000	£000	£000	£000	ACCOUNT £000	
Government Grants	-	-	(57)	-	(39,943)	(388)	-	-	(49)	(40,437)
Other Grants and Contributions	(1)	(101)	(22)	(72)	(10)	(197)	(5)	(226)	(539)	(1,173)
Contributions from other Authorities	(542)	-	-	-	(71)	-	(1,077)	-	-	(1,690)
Agency Reimbursements	-	-	-	(206)	-	-	(162)	-	-	(368)
Fees and Charges	(12)	(2,518)	(1,196)	(1,665)	(379)	(48)	(5,021)	(18)	(642)	(11,499)
Rents	-	(242)	(719)	(130)	-	(80)	(13)	-	(22,772)	(23,956)
Other Income	(97)	(277)	(114)	(25)	(10)	(22)	(608)	(4)	(271)	(1,428)
Recharges	(4,291)	(1,037)	(677)	(2,086)	(1,871)	(1,149)	(2,008)	(1,122)	(2,253)	(16,494)
<b>Total Income</b>	<b>(4,943)</b>	<b>(4,175)</b>	<b>(2,785)</b>	<b>(4,184)</b>	<b>(42,284)</b>	<b>(1,884)</b>	<b>(8,894)</b>	<b>(1,370)</b>	<b>(26,526)</b>	<b>(97,045)</b>
Employees	2,775	2,702	2,193	1,933	2,438	1,095	1,461	958	2,108	17,663
Premises	32	1,762	263	1,083	4	223	698	17	5,240	9,322
Transport	11	23	55	63	15	40	40	16	100	363
Supplies and Services	1,481	1,287	433	519	769	328	643	560	1,090	7,110
Third Party Payments	414	198	433	308	100	152	8,033	154	365	10,157
Transfer Payments	-	-	-	-	38,167	-	-	-	8,382	46,549
Support Services	830	1,707	1,555	1,460	2,336	673	2,783	871	3,350	15,565
Capital Financing Charges	320	1,017	851	258	103	651	(430)	3	143,973	146,746
<b>Total Expenditure</b>	<b>5,863</b>	<b>8,696</b>	<b>5,783</b>	<b>5,624</b>	<b>43,932</b>	<b>3,162</b>	<b>13,228</b>	<b>2,579</b>	<b>164,608</b>	<b>253,475</b>
<b>Surplus or deficit on the provision of services</b>	<b>920</b>	<b>4,521</b>	<b>2,998</b>	<b>1,440</b>	<b>1,648</b>	<b>1,278</b>	<b>4,334</b>	<b>1,209</b>	<b>138,082</b>	<b>156,430</b>

## NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2010/11	COMMUNITY		CUSTOMER & INFORMATION			HOUSING & PROPERTY			STRATEGIC		HOUSING	TOTAL
	PROTECTION	CULTURE	SERVICES	DEVELOPMENT	ENVIRONMENT	FINANCE	G. FUND	NEIGHBOURHOOD	LEADERSHIP	ACCOUNT		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Government Grants	(108)	-	(38,929)	(558)	-	(603)	(671)	-	(240)	(10)	(41,119)	
Other Grants and Contributions	(2)	(285)	(25)	(16)	(8)	(310)	(300)	(16)	-	(311)	(1,273)	
Contributions from other Authorities	-	-	(709)	(4)	-	-	-	(1,057)	-	-	(1,770)	
Agency Reimbursements	(220)	-	-	-	-	-	-	(152)	-	-	(372)	
Fees and Charges	(310)	(2,700)	(326)	(1,226)	(1,298)	-	(14)	(5,290)	-	(665)	(11,829)	
VAT Refunds	-	(67)	-	-	-	(33)	-	-	-	-	(100)	
Rents	(85)	(173)	(1)	(705)	(30)	-	(76)	(17)	-	(21,236)	(22,323)	
Other Income	(17)	(242)	(8)	(93)	(13)	(7)	(4)	(52)	(140)	(91)	(667)	
Recharges	(3,696)	(1,086)	(3,567)	(1,394)	(466)	(1,963)	(1,286)	(1,960)	(2,535)	(9,169)	(27,122)	
<b>Total Income</b>	<b>(4,438)</b>	<b>(4,553)</b>	<b>(43,565)</b>	<b>(3,996)</b>	<b>(1,815)</b>	<b>(2,916)</b>	<b>(2,351)</b>	<b>(8,544)</b>	<b>(2,915)</b>	<b>(31,482)</b>	<b>(106,575)</b>	
Employees	819	2,764	3,219	2,097	1,120	(4,667)	1,149	1,473	1,701	2,105	11,780	
Premises	708	1,824	33	235	239	-	263	509	18	6,665	10,494	
Transport	17	21	23	57	46	4	42	41	14	96	361	
Supplies and Services	348	1,465	1,361	452	224	423	378	628	1,046	900	7,225	
Third Party Payments	81	180	403	415	218	2,856	29	7,673	145	376	12,376	
Transfer Payments	-	-	37,708	-	-	-	-	-	-	7,282	44,990	
Support Services	1,017	1,722	2,096	2,614	861	1,697	740	2,800	1,585	8,469	23,601	
Capital Financing Charges	2,082	1,663	404	160	119	271	728	1,470	3	98,124	105,024	
<b>Total Expenditure</b>	<b>5,072</b>	<b>9,639</b>	<b>45,247</b>	<b>6,030</b>	<b>2,827</b>	<b>584</b>	<b>3,329</b>	<b>14,594</b>	<b>4,512</b>	<b>124,017</b>	<b>215,851</b>	
<b>Surplus or deficit on the provision of services</b>	<b>634</b>	<b>5,086</b>	<b>1,682</b>	<b>2,034</b>	<b>1,012</b>	<b>(2,332)</b>	<b>978</b>	<b>6,050</b>	<b>1,597</b>	<b>92,535</b>	<b>109,276</b>	

## NOTES TO THE ACCOUNTS

### Reconciliation of Housing Revenue Account Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of the Housing Revenue Account income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2010/11 £000
Net Expenditure in the HRA Analysis	138,082	92,535
HRA Self Financing Settlement Payment	(136,157)	-
HRA share of Corporate and Democratic Core costs included in the Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement	(99)	(96)
<b>Cost of HRA Services in Comprehensive Income and Expenditure Statement</b>	<b>1,826</b>	<b>92,439</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the portfolio area income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	PORTFOLIO ANALYSIS £000	SUPPORT SERVICES £000	INTERNAL RECHARGES £000	AGENCY WORK £000	DISCONTINUED SERVICES £000	INVESTMENT PROPERTIES £000	TOTAL £000
Government Grants	(40,437)	-	-	-	-	-	(40,437)
Other Grants and Contributions	(1,173)	10	-	-	-	-	(1,163)
Contributions from other Authorities	(1,690)	482	-	1,077	-	-	(131)
Agency Reimbursements	(368)	-	-	-	-	-	(368)
Fees and Charges	(11,499)	20	-	2,152	-	1	(9,326)
Rents	(23,956)	102	-	-	-	595	(23,259)
Other Income	(1,428)	98	-	-	-	7	(1,323)
Recharges	(16,494)	10,936	5,564	-	-	-	6
<b>Total Income</b>	<b>(97,045)</b>	<b>11,648</b>	<b>5,564</b>	<b>3,229</b>	<b>-</b>	<b>603</b>	<b>(76,001)</b>
Employees	17,663	(6,259)	-	-	-	-	11,404
Premises	9,322	(756)	-	-	-	(133)	8,433
Transport	363	(84)	-	(11)	-	-	268
Supplies and Services	7,110	(1,512)	-	(147)	-	(7)	5,444
Third Party Payments	10,157	(330)	-	(2,159)	19	(66)	7,621
Transfer Payments	46,549	-	-	-	-	-	46,549
Support Services	15,565	(2,335)	(5,564)	(912)	(5)	(117)	6,632
Capital Financing Charges	146,746	(372)	-	-	-	(5)	146,369
<b>Total Expenditure</b>	<b>253,475</b>	<b>(11,648)</b>	<b>(5,564)</b>	<b>(3,229)</b>	<b>14</b>	<b>(328)</b>	<b>232,720</b>
<b>Surplus or deficit on the provision of services</b>	<b>156,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>275</b>	<b>156,719</b>



## NOTES TO THE ACCOUNTS

2010/11 Comparative Figures	PORTFOLIO ANALYSIS £000	SUPPORT SERVICES £000	INTERNAL RECHARGES £000	AGENCY WORK £000	DISCONTINUED SERVICES £000	INVESTMENT PROPERTIES £000	TOTAL £000
Government Grants	(41,119)	14	-	-	-	-	(41,105)
Other Grants and Contributions	(1,273)	10	-	-	-	-	(1,263)
Contributions from other Authorities	(1,770)	469	-	1,057	-	-	(244)
Agency Reimbursements	(372)	-	-	-	-	-	(372)
Fees and Charges	(11,829)	1	-	2,008	-	-	(9,820)
VAT Refunds	(100)	33	-	-	-	-	(67)
Rents	(22,323)	86	-	-	-	594	(21,643)
Other Income	(667)	155	-	-	-	12	(500)
Recharges	(27,122)	14,232	12,652	-	-	-	(238)
<b>Total Income</b>	<b>(106,575)</b>	<b>15,000</b>	<b>12,652</b>	<b>3,065</b>	<b>-</b>	<b>606</b>	<b>(75,252)</b>
Employees	11,780	(6,421)	-	-	-	-	5,359
Premises	10,494	(826)	-	-	-	(146)	9,522
Transport	361	(84)	-	(12)	-	-	265
Supplies and Services	7,225	(1,780)	-	(121)	-	(19)	5,305
Third Party Payments	12,376	(277)	-	(2,021)	-	(82)	9,996
Transfer Payments	44,990	-	-	-	-	-	44,990
Support Services	23,601	(3,308)	(12,652)	(911)	-	(153)	6,577
Capital Financing Charges	105,024	(2,304)	-	-	-	(5)	102,715
<b>Total Expenditure</b>	<b>215,851</b>	<b>(15,000)</b>	<b>(12,652)</b>	<b>(3,065)</b>	<b>-</b>	<b>(405)</b>	<b>184,729</b>
<b>Surplus or deficit on the provision of services</b>	<b>109,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201</b>	<b>109,477</b>

### 30. Transferred Operations

Responsibility for administering a statutory concessionary fares scheme transferred from the Council to Warwickshire County Council on 1 April 2011. Expenditure and income on this service was previously included within the Highways, Roads and Transport Services line on the face of the Comprehensive Income and Expenditure Statement. The receipt of all outstanding claims from the bus operators in respect of 2010/11 resulted in a small surplus of £19,000 over the amount accrued for in 2010/11. Central Government has also adjusted the revenue support grant of the respective councils in order to keep the transfer cost neutral. Costs associated with the scheme are as follows:

	2011/12 £000	2010/11 £000
<b><u>Expenditure:</u></b>		
Payments to bus operators	(19)	2,221
Administrative costs	5	78
<b>Total Expenditure</b>	<b>(14)</b>	<b>2,299</b>
<b><u>Income:</u></b>		
Government Grants	-	(417)
Replacement passes	-	(4)
<b>Total Income</b>	<b>-</b>	<b>(421)</b>
<b>NET COST</b>	<b>(14)</b>	<b>1,878</b>

# NOTES TO THE ACCOUNTS

## 31. Agency Income and Expenditure

In August 2007 the Decriminalisation of Parking Enforcement was introduced within the Council's area. This moved parking enforcement from Warwickshire Police Authority to Warwickshire County Council and saw the introduction of on-street parking charges within the Council's area. As district councils are already responsible for off-street parking arrangements it is considered good practice for them to administer on-street parking as agents for county councils. Any surpluses generated should be ring fenced for highway purposes.

The County Council reimburses the Council for direct costs of the service, an agreed proportion of the shared costs and a contribution towards the administrative costs. The net surplus of fee income generated less collection costs is paid to the County Council.

A summary of income and expenditure in respect of the activity, which is not included in the Comprehensive Income and Expenditure Account, is as follows:

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
Direct Costs	<b>166</b>	145
Proportion of Shared Costs	<b>761</b>	760
Administrative Costs	<b>151</b>	151
Income	<b>(2,152)</b>	(2,008)
	<hr/>	<hr/>
<b>Net Surplus paid to Warwickshire County Council</b>	<b>(1,074)</b>	(952)

## 32. 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 the Council's members during 2011/12 was:

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
<b>Allowances:</b>		
Basic	<b>213</b>	212
Special Responsibility	<b>56</b>	58
Chair and Vice Chair Allowances	<b>17</b>	17
Co-Optees	<b>3</b>	3
Other Allowances (Travel, Subsistence, etc.)	<b>12</b>	12
	<hr/>	<hr/>
<b>Total Allowances</b>	<b>301</b>	302

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

# NOTES TO THE ACCOUNTS

## 33. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

Post Title		Salary	Pension	Total
		(inc Fees & Allowances) £	Contribution £	Remuneration Inc Pension Contribution £
Chief Executive	2011/12	124,568	19,184	143,752
	2010/11	111,469	15,516	126,985
Deputy Chief Executive	2011/12	84,172	12,962	97,134
	2010/11	82,785	12,247	95,032
Deputy Chief Executive	2011/12	81,250	12,513	93,763
	2010/11	81,250	12,025	93,275
S151 Officer	2011/12	71,750	11,049	82,799
	2010/11	71,790	10,619	82,409
Monitoring Officer	2011/12	-	-	-
	2010/11	31,340	4,434	35,774
<b>TOTALS</b>	2011/12	<b>361,740</b>	<b>55,708</b>	<b>417,448</b>
	2010/11	378,634	54,841	433,475

Note: The employee undertaking the Monitoring Officer role retired during 2010/11 and the monitoring duties have been taken on by one of the Deputy Chief Executives.

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

	Number of Employees		Number of Employees	
	Total 2011/12	Left in Year	Total 2010/11	Left in Year
£50,000 - £54,999	-	-	3	-
£55,000 - £59,999	4	-	4	-
£60,000 - £64,999	2	-	3	-
£65,000 - £69,999	-	-	-	-
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	1	1	-	-

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

## NOTES TO THE ACCOUNTS

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	1	3	-	1	1	4	£403	£30,535
£20,001 - £40,000	-	2	1	-	1	2	£20,370	£65,909
£40,001 - £60,000	-	-	-	1	-	1	-	£44,000
<b>Total</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>£20,773</b>	<b>£140,444</b>

### 34. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2011/12 £'000	2010/11 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	108	106
Fees payable to the Audit Commission in respect of statutory inspection	-	8
Fees payable to the Audit Commission for the certification of grant claims and returns	27	48
Fees payable in respect of other services provided by the appointed auditor	1	1
<b>TOTAL PAID</b>	<b>136</b>	<b>163</b>

The fees for other services payable in both 2011/12 and 2010/11 were in respect of the National Fraud Initiative.

# NOTES TO THE ACCOUNTS

## 35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	2010/11 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Revenue Support Grant	(1,850)	(1,327)
Redistributed Non-Domestic Rates	(5,986)	(9,136)
Area Based Grant	-	(41)
New Homes Bonus Grant	(292)	-
Council Tax Freeze Grant	(196)	-
LSSG - Homelessness Prevention Grant	(86)	-
<b><u>Capital Grants and Contributions:</u></b>		
- S106 contributions: social housing & play equipment	(225)	(79)
- WCC, WPA & PCT contributions towards Kenilworth Public Service Centre	(98)	(53)
- Other contributions towards Brunswick Hub, Biomass Boiler, thermal improvements etc.	(87)	(29)
- Groundwork UK contribution to Dell improvement work	(22)	-
- Advantage West Midlands Grant - various projects	(2)	(5)
- Warwickshire County Council Playbuilder Grant	-	(284)
- WCC re refuse recycling in flats & schools	-	(99)
- LTA re Victoria Park Tennis Courts Floodlighting	-	(43)
- Developers contribution: 18B Southbank Rd purchase	-	(30)
- Big Lottery grant towards play equipment	-	(1)
<b>TOTAL</b>	<b>(8,844)</b>	<b>(11,127)</b>
<b>Credited to Services</b>		
DWP grants for Benefits	(38,910)	(37,771)
Housing Benefit Administration Grant	(814)	(935)
Assisted Travel	-	(417)
DCLG Disabled Facilities Grant	(338)	(299)
Contribution towards NNDR Collection	(218)	(214)
Safer and Stronger Communities/Anti-Social Behaviour	(22)	(85)
Implementation of Homelessness Act	(31)	(51)
Local Land Charges	-	(34)
Council Tax Leaflet	-	(10)
<b>TOTAL</b>	<b>(40,333)</b>	<b>(39,816)</b>
<b>TOTAL GRANTS</b>	<b>(49,177)</b>	<b>(50,943)</b>

## NOTES TO THE ACCOUNTS

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have legally binding conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
<b>Capital Grants / Contributions Receipts in Advance</b>		
S106 Contributions towards social housing, car parking & play equipment	<b>(1,811)</b>	(1,591)
Advantage West Midlands grant - various projects	-	(3)
Warwickshire County Council Playbuilder grant	-	(2)
LTA towards Victoria Park tennis courts floodlighting	-	(2)
<b>TOTAL</b>	<b>(1,811)</b>	(1,598)

### **36. Related Party Transactions**

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

#### Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides 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. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29. Grant receipts outstanding at 31 March 2012 are shown in Note 35.

#### 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 41.

#### Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2011/12 the precepts issued totalled £1,116,543 (£1,073,519 2010/11). The major preceptors were:

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
Warwick Town Council	<b>302</b>	288
Royal Leamington Spa Town Council	<b>294</b>	291
Kenilworth Town Council	<b>144</b>	136
Whitnash Town Council	<b>91</b>	91

#### Council Members and Chief Officers:

Council Members make disclosures of their pecuniary and non-pecuniary interests in the Members' Register, and also have to make declarations on individual committee agenda items. In addition to Council Members, the Chief Executive and two Deputy Chief

## NOTES TO THE ACCOUNTS

Executives also make annual declarations in respect of any Related Party Transactions they may have.

Council Members have direct control over the Council's financial and operating policies. Grants totalling £331,307 (£295,970 2010/11) were paid to voluntary organisations in which twelve members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The major grants awarded were:

	2011/12 £000	2010/11 £000
Citizens' Advice Bureau	102	100
Brunswick Healthy Living Centre	54	64
Warwickshire Community and Voluntary Action (CAVA)	31	-
Hill Close Gardens Trust	30	25
Warwickshire Race Equality Partnership	25	24
Action 21	16	29
Warwick District Mobility Ltd	15	15
Warwickshire Rural Community Council	13	5
The Chain	10	-
Act on Energy	9	11
Victim Support	8	8
African Caribbean Project	6	11

Details of Members' Allowances are disclosed in Note 32 and Officer Salaries are disclosed in Note 33.

### 37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2011/12 £000	2010/11 £000
<b>Opening Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment including Finance Leases	10,568	6,875
Investment Properties	-	-
Intangible Assets	29	34
Revenue Expenditure Funded from Capital Under Statute	868	1,080
Long Term Debtors	1	13
Finance Leases Principal - Photocopiers	115	-
HRA Self Financing Settlement	136,157	-
<b>Sources of Finance:</b>		
Capital Receipts	(1,148)	(308)
Government grants and other contributions	(749)	(804)
Major Repairs Account	(5,174)	(4,504)
Sums set aside from revenue	(4,395)	(2,386)
Adjustment for expenditure where MRP is being met by Asset Life or Depreciation Methods	(115)	-
Minimum Revenue Provision	-	-
<b>Closing Capital Financing Requirement</b>	<b>134,460</b>	<b>(1,697)</b>

# NOTES TO THE ACCOUNTS

## 38. Leases

### Authority as Lessee

#### Finance Leases

During 2011/12 the Council acquired a number of photocopiers under a Finance Lease. The liability remaining in the balance sheet at 31<sup>st</sup> March was £115,426. The minimum lease payments over the coming years are analysed below:

2012/13	£27,592
2013/14	£28,435
2014/15	£29,278
2015/16	£30,121

#### Operating Leases

The Council uses telephone equipment and photocopiers financed under the terms of an operating lease. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2012 £000	31 March 2011 £000
Not later than one year	1	9
Later than one year and not later than five years	6	4
Later than five years	-	-
	<hr/>	<hr/>
	7	13

The Council previously rented photocopiers under a finance lease, which expired at the end of 2009/10. These photocopiers were retained on a short term rental basis during the early part of 2011/12 before being replaced by the copiers referred to in the Finance lease note above. The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011/12 £000	2010/11 £000
Minimum lease payments	14	34

### Authority as Lessor

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

#### Operating Leases

With effect from 1<sup>st</sup> April 2010, the Council entered into an operating lease with Mack Trading whereby the Council leased out the operation of the Newbold Comyn Golf Course for a term of 50 years at a rent of £20,000 per annum commencing in year 4 and subject to 5 yearly rent reviews.

Within the Housing Revenue Account the Council has a number of shops etc. which whilst still forming part of its Operational non-current assets are leased out on a commercial basis in order to derive rental income.

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



## NOTES TO THE ACCOUNTS

	31 March 2012 £000	31 March 2011 £000
Not later than one year	336	324
Later than one year and not later than five years	1,383	1,336
Later than five years	900	900
	<b>2,619</b>	<b>2,560</b>

The General Fund has a number of investment properties that it leases out which generates £603,000 rental income. Transactions relating to these properties are disclosed in Note 15 Investment Properties.

### **39. Impairment Losses**

During 2011/12, the Council has recognised impairment losses charged to the General Fund of £39,192 as a result of writing out obsolete equipment.

In addition, there were revaluation impairments amounting to £964,938 charged to the General Fund as a result of the revaluation of certain properties at 1<sup>st</sup> April 2011 carried out by the District Valuer and also the valuation of Jubilee House following its acquisition and refurbishment, analysed as follows:

£256,034 Various Surface Car Parks
£29,285 St Nicholas Park Public Conveniences
£9,922 Leamington Cemetery external walls etc
£6,229 Old Art Gallery & Museum
£663,468 Jubilee House

This has been offset by £1,399,978 resulting from the reversal of revaluation impairments previously charged to the General Fund, £1,299,978 in respect of various car parks including the 2 Leamington Multi Storeys and also £100,000 in respect of Riverside House.

Within the Housing Revenue Account, the Council has recognised impairments amounting to £5,141,384 relating to its housing stock. This is as a result of the continuing poor economic climate.

As a result of the revaluations carried out in 2011/12, mainly 1 April 2011, a further revaluation impairment of £486,629 has been charged to the General Fund Revaluation Reserve against revaluation surpluses previously credited to the Revaluation Reserve in respect of these assets.

### **40. Termination Benefits**

As part of its restructuring to be "Fit For The Future" the Council terminated the contracts of a number of employees in 2011/12, incurring redundancy costs of £140,400 (£20,800 in 2010/11) – see Note 33 for the number of exit packages and total cost per band.

### **41. Defined Benefit Pension Schemes**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the

## NOTES TO THE ACCOUNTS

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 locally by Warwickshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2011/12 £000	2010/11 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- current service cost	1,987	2,068
- past service costs	-	(6,066)
- settlements and curtailments	31	-
<i>Financing and Investment Income and Expenditure:</i>		
- interest cost	5,254	5,561
- expected return on scheme assets	(4,785)	(4,099)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	2,487	(2,536)
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- actuarial gains and losses	6,098	(8,844)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	8,585	(11,380)
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,487)	2,536
<b>Actual amount charged against the General Fund and HRA Balances for pensions in the year:</b>		
- employer's contributions payable to scheme	1,930	1,860

On 8 July 2010, the Minister of State for Pensions, Steve Webb MP, made a statement to Parliament, announcing the Government's intention to adopt the Consumer Price Index (CPI) as the measure of price inflation for the purposes of regulating occupational pension schemes. This followed the Chancellor's budget announcement on 22 June 2010 that public sector pensions would adopt the CPI instead of the Retail Price Index (RPI). The change takes effect from 1 April 2011 and is therefore reflected within these statements.

In 2010/11 the effect of the change has been shown in the Comprehensive Income and Expenditure Statement as an Exceptional past service gain of £6.066m as guided in LAAP

## NOTES TO THE ACCOUNTS

Bulletin 89 (issued April 2011), since the change is considered to be a change in benefit entitlement.

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2012 a loss of £6,637,000 and at 31 March 2011 was a loss of £539,000.

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2011/12 £000	2010/11 £000
<b>Opening Balance at 1 April</b>	<b>(96,234)</b>	(99,907)
Current service cost	(1,987)	(2,068)
Interest cost	(5,254)	(5,561)
Contributions by scheme participants	(732)	(732)
Actuarial gains and (losses)	(3,537)	1,962
Benefits paid	4,170	4,006
Past service costs	-	6,066
Curtailments	(31)	-
<b>Closing balance at 31 March</b>	<b>(103,605)</b>	<b>(96,234)</b>

Reconciliation of fair value of the scheme (plan) assets:

	2011/12 £000	2010/11 £000
<b>Opening Balance at 1 April</b>	<b>74,916</b>	65,349
Expected rate of return	4,785	4,099
Actuarial gains and (losses)	(2,561)	6,882
Employer contributions	1,930	1,860
Contributions by scheme participants	732	732
Benefits paid	(4,170)	(4,006)
<b>Closing balance at 31 March</b>	<b>75,632</b>	74,916

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2.0m (2010/11: £4.8m).

### Scheme history:

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities	(86,179)	(73,101)	(99,907)	(96,234)	(103,605)
Fair value of assets	62,138	49,174	65,349	74,916	75,632
<b>Surplus / (Deficit)</b>	<b>(24,041)</b>	<b>(23,927)</b>	<b>(34,558)</b>	<b>(21,318)</b>	<b>(27,973)</b>

## NOTES TO THE ACCOUNTS

The liabilities show underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £28.0m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced overall balance of £170.9m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when pensions are actually paid.

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £1.8m.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Warwickshire County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.3%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	6.5%
Cash	3.5%	0.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9 years	22.0 years
Women	23.6 years	23.7 years
Longevity at 65 for future pensioners:		
Men	22.8 years	22.9 years
Women	25.9 years	26.0 years
Rate of inflation	3.3%	3.4%
Rate of increase in salaries	4.8%	4.9%
Rate of increase in pensions	2.5%	2.9%
Rate of discounting scheme liabilities	4.8%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012	31 March 2011
	%	%
Equities	71	71
Bonds	19	18
Property	10	10
Cash	-	1
<b>Total</b>	<b>100</b>	<b>100</b>

## NOTES TO THE ACCOUNTS

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	9.3%	32.7%	21.0%	9.2%	3.4%
Experience gains and losses on liabilities	3.7%	0.0%	0.0%	1.9%	3.4%

There is an inconsistency between the total scheme assets as determined by the actuary and the total scheme assets as per the pension scheme accounts. This is because the actuary has estimated the value of assets using the actual return on assets to December 2011 and has estimated the return on assets for January to March 2012.

### **42. Contingent Liabilities**

A group of property search companies are threatening to issue legal claims against the Council - the value of which has not yet been validated and it is therefore not yet clear how much the Council may be liable to pay.

### **43. Nature and Extent of Risks Arising from Financial Instruments**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with each type of financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

## NOTES TO THE ACCOUNTS

<b>Financial Asset Category ( Fitch ratings )</b>	<b>Minimum Criteria</b>	<b>Maximum Investment</b>	<b>Maximum Duration</b>	<b>Proportion of Portfolio at 31st March 2012 £'000</b>
Deposits With Banks	Sovereign AAA Long Term A+ Short Term F1 Individual B/C Support 1 or 2	£5m ( private ) £6m ( nationalised )	Up to 2 years Up to 2 years	11,000 6,000
Deposits With Building Societies				
Category A	Sovereign AAA Long Term A+ Short Term F1	£4m	Up to 2 years	3,000
Category B	Sovereign AAA Short Term F1	£2m	364 days	2,000
Category C	Non rated but in the Top 20 ranked by asset value	£1m	3 months	8,000
Deposits with Money Market Funds	AAA and volatility rating of VR1+	£6m	Not defined - depends on cash flow	4,604
Nationalised Industries	UK Government guarantee	£6m	364 days	-
UK Government	UK Government guarantee	£6m	Not defined	-
Local and Police Authorities	Secured by statute on revenues of Authority	£6m	364 days	-
				<b>34,604</b>

The investments in force at 31 March 2012 totalling £34.6m have been reviewed and it is considered that following stabilisation of the UK banking system after the banking crisis of 2008 the Council is at a low risk of a counterparty defaulting during the remaining term of the investments as default is less likely particularly as the banks are now required to maintain much higher liquidity levels and if default should happen then the defaulter would likely be absorbed into another institution or rescued by the UK Government.

Where appropriate the Council makes use of a credit checking agency so that customers for goods and services e.g. major contracts are assessed and suitable credit limits set. At 31 March 2012, sundry debts outstanding stood at £2.928m of which £1.645m related to general debts and £1.283m to Housing Benefit overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.05m (3.0%) and £0.42m (32.7%) have been established in respect of the general debts and Housing Benefit Overpayments respectively. An analysis by age of the £2.928m less £0.47m bad debts provision follows:

## NOTES TO THE ACCOUNTS

	31 March 2012 £000	31 March 2011 £000
Less than three months	1,344	692
Four to six months	159	164
Seven to nine months	205	50
Ten to twelve months	203	26
More than one year	547	457
<b>Total</b>	<b>2,458</b>	<b>1,389</b>

At 31 March 2012, outstanding arrears in respect of council house rents stood at £1.650m, again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.096m (66.4%) has been established.

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council is able to borrow, subject to the limits imposed by the relevant Prudential Indicators, from the Money Markets to make up the shortfall. The relevant Prudential Indicators in this instance are the Operational Boundary for External Debt (2011/12 £155.083m and 2012/13 £155.055m) which manages the day to day cash flow requirements and the Authorised Limit for External Debt which sets an absolute ceiling on the amount of borrowing allowed (2011/12 £163.082m and 2012/13 £166.555m). With the exception of the long term borrowing incurred to buy itself out of the HRA Subsidy system. The Council did not incur any borrowing either for cash flow or long term purposes in 2011/12 and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments in 2012/13. The Public Works Loan Board loans taken out to finance the long term borrowing referred to above mature between 2053 and 2062. The amount in the Balance Sheet includes £52,225 interest relating to 2011/12 which will be paid in 2012/13.

The Council has within its balance sheet, £1.811m in respect of external contributions paid to it by developers and other contributors to be spent on mainly capital expenditure for which there is no precise indication of when the related spend will take place. If the spend does not take place, the contributions will need to be refunded but this is not expected to be an issue in 2012/13. All of the Council's trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Council's external borrowing is made up of PWLB Fixed Rate Maturity loans with maturities of between 41 and 50 years and the average rate of the portfolio is 3.50%. This gives certainty in terms of interest payments but the principal disadvantage to this certainty arises from movements in long term borrowing rates which are influenced by Gilt yields. Should long term borrowing rates drop below the portfolio average of 3.50% it will be difficult for the Council to take advantage without incurring considerable premiums in buying itself out of the PWLB loans. Conversely, should interest rates arise then the Council may be able to take advantage of this and restructure its PWLB loans thus generating discounts.

The main risk to its investment income comes from movements in Bank Rate and the Money Market Rates. For instance, a rise in interest rates would have the following effects:

## NOTES TO THE ACCOUNTS

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, based on the 2011/12 out-turn a 0.5% movement upwards in interest rates would have produced an additional £0.214m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

### Price Risk

The Council does not invest in equity shares.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 44. Heritage Assets: Five-Year Summary of Transactions

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
<b>Cost of Acquisitions of heritage assets</b>					
Decorative Arts	-	-	-	-	-
Visual Arts	1	-	-	-	-
Other	-	-	-	-	-
<b>Total cost of Purchases</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Value of Heritage Assets Acquired by Donation</b>					
Decorative Arts	-	-	-	-	-
Visual Arts	-	-	-	-	-
Other	2	8	3	1	-
<b>Total Donations</b>	<b>2</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>-</b>

## 45. Heritage Assets: Further Information on The Art Gallery and Museum's Collection

Full details of all the artefacts in the various collections can be found by visiting the Leamington Spa Art Gallery & Museum's Collections website [www.lsgmcollections.org.uk](http://www.lsgmcollections.org.uk) and also through Windows on Warwickshire.

### Heritage Assets of Particular Importance

In the Art Collection there are 2 significant exhibits of donated assets. The first is a painting by P. Champaigne "St Peters Penitence" which is valued at £500,000 and the



## NOTES TO THE ACCOUNTS

second is a painting by L.S. Lowery "The Mission Room" which is valued at £235,000. In addition, there are 6 other donated paintings worth £100,000 or more. In all cases, these donated assets have no conditions outstanding. Indeed, it is a condition of accepting donated assets that there are no conditions attached to the offer. Amongst the purchased exhibits there is one painting "Self Portrait By Candlelight" by Schalcken worth £250,000. Again, full details of these exhibits can be found by visiting the website referred to in the paragraph above.

### **Preservation and Management**

The Art Gallery and Museum has recently revised its various policies covering Collections Access, Collections Care and Conservation, Collections Documentation and Collection Development and full details of these policies can be obtained by contacting the Art Gallery & Museum at [prooms@warwickdc.gov.uk](mailto:prooms@warwickdc.gov.uk).

### **46. Heritage Assets: Change in Accounting Policy Required by the Code of Practice for Local Authority Accounting in the United Kingdom**

*The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, The Council now requires heritage assets to be carried in the Balance Sheet at valuation.

### **Heritage Assets**

From 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as there was no requirement to do so. The Council's accounting policies for recognition and measurement assets are set out in the Council's summary of significant accounting policies (see Note 1 n).

In applying the new accounting policy, the Council has identified that the Abbey Fields Barn that was previously identified as a community asset at nil value (because no cost could be identified) within property, plant and equipment should now be recognised as a heritage asset and it has been valued on a depreciated replacement cost basis at £252,000 with a corresponding increase in the Revaluation Reserve. The Council will also recognise an additional £8.5m for the recognition of heritage assets that were not previously recognised in the Balance Sheet. As required by the Code, those heritage assets now recognised that were purchased by the Council are also recognised in the Revaluation Reserve to the tune of £2.2m. The balance of the £8.5m has been recognised in the Capital Adjustments Account as it relates to heritage assets acquired through donations, gifts and bequests. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £8.5m. The Revaluation Reserve has increased by £2.2m and the Capital Adjustments Account by £6.3m.
- The fully restated 1 April 2010 Balance Sheet is provided on page 11. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

## NOTES TO THE ACCOUNTS

### Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Property, Plant and Equipment	392,761	-	392,761
Heritage Assets	-	8,465	8,465
<b>Long Term Assets</b>	<b>402,262</b>	<b>8,465</b>	<b>410,727</b>
<b>Total Net Assets</b>	<b>395,487</b>	<b>8,465</b>	<b>403,952</b>
Unusable Reserves	365,824	8,465	374,289
<b>Net Worth / Total Reserves</b>	<b>395,487</b>	<b>8,465</b>	<b>403,952</b>

### Comprehensive Income and Expenditure Statement

There has been no restatement of any of the lines of the Comprehensive Income and expenditure Statement.

### Movement in Reserves Statement – Unusable Reserves 2010/11

The resulting restated Balance Sheet for 31 March 2011 is provided on page 11. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

### Effect on Balance Sheet 31 March 2011

	As Previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Property, Plant and Equipment	284,481	-	284,481
Heritage Assets	-	8,465	8,465
<b>Long Term Assets</b>	<b>295,127</b>	<b>8,465</b>	<b>303,592</b>
<b>Total Net Assets</b>	<b>304,348</b>	<b>8,465</b>	<b>312,813</b>
Unusable Reserves	273,104	8,465	281,569
<b>Net Worth</b>	<b>304,348</b>	<b>8,465</b>	<b>312,813</b>

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £8.5m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £2.2m and to the Capital Adjustments Account of £6.3m.

## NOTES TO THE ACCOUNTS

### **47. Authorisation of Accounts for Issue**

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 18 September 2012.

# HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

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

2010/11 £'000	Notes	2011/12 £'000	
<b>EXPENDITURE</b>			
3,979		4,448	
5,289		5,011	
37		214	
7,282	11	8,382	
260		228	
98,060		7,678	
-		47	
-		136,157	
64		91	
114,971			162,256
<b>INCOME</b>			
(20,462)		(21,995)	
(770)		(775)	
(774)		(915)	
(526)		(588)	
(22,532)			(24,273)
<b>Net Cost Of HRA Services as included in the whole authority Comprehensive Income and Expenditure</b>			
92,439			137,983
96			99
-			-
92,535			138,082
<b>Net Income for HRA Services</b>			
(710)			(504)
-			52
(6)	12		32
(159)			(181)
91,660			137,481
<b>(Surplus) / Deficit for the year on HRA services</b>			

## MOVEMENT ON THE HRA BALANCE STATEMENT

This statement shows the movement in the year on the different reserves held by the Council in respect of the Housing Revenue Account, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or (Deficit) for the year on HRA services' line shows the true economic cost of providing the authority's services, more details of which are shown in the HRA Income and Expenditure Statement. These are different from statutory amounts required to be charged to the Housing Revenue Account for dwellings rent setting purposes. The 'Net Increase / (Decrease) before transfers to earmarked reserves' line shows the statutory Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2010/11 £000		Notes	2011/12 £000      £000	
8,361	<b>Balance on the HRA at the end of the previous year</b>			<b>9,388</b>
(91,660)	Surplus or (deficit for the year on the HRA Income and Expenditure Statement		<b>(137,481)</b>	
92,448	Adjustments between accounting basis and funding basis under statute	13	<b>136,127</b>	
	<b>Net increase or (decrease) before transfers to or from reserves</b>		<b>(1,354)</b>	
239	Transfers (to) or from reserves		<b>(6,784)</b>	
	<b>Increase or (decrease) in year on the HRA</b>			<b>(8,138)</b>
<u>9,388</u>	<b>Balance on the HRA at the end of the current year</b>			<u><b>1,250</b></u>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Housing Revenue Account Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across portfolio areas. These reports are prepared on the same basis as the accounting policies used in the financial statements.

The income and expenditure of the Council's Housing Revenue Account portfolio area recorded in the budget reports for the year is as follows:

	<b>2011/12</b>	2010/11
	<b>£000</b>	£000
Government Grants	(49)	(10)
Other Grants and Contributions	(539)	(311)
Fees and Charges	(642)	(665)
Rents	(22,772)	(21,236)
Other Income	(271)	(91)
Recharges	(2,253)	(9,169)
<b>Total Income</b>	<b>(26,526)</b>	(31,482)
Employees	2,108	2,105
Premises	5,240	6,665
Transport	100	96
Supplies and Services	1,090	900
Third Party Payments	365	376
Negative Housing Subsidy	8,382	7,282
Support Services	3,350	8,469
Capital Financing Charges	143,973	98,124
<b>Total Operating Expenses</b>	<b>164,608</b>	124,017
<b>Net Cost of HRA Services</b>	<b>138,082</b>	92,535

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 2. Housing Stock

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

	<b>31 March 2012 Nos.</b>	31 March 2011 Nos.
Houses	<b>2,505</b>	2,508
Flats	<b>2,434</b>	2,434
Bungalows	<b>669</b>	670
	<b>5,608</b>	5,612

The change in housing stock can be summarised as follows:

	<b>2011/12 Nos.</b>	2010/11 Nos.
Stock at 1 April	<b>5,612</b>	5,621
Purchases	-	-
Sales	<b>(3)</b>	(8)
Other Sales	<b>(1)</b>	-
Conversions	-	(1)
Other Disposals	-	-
Change of Use	-	-
	<b>5,608</b>	5,612

### 3. Housing Revenue Account non-Current Assets

The total Housing Revenue Account non-current assets can be analysed as follows:

	1 April 2011 £'000	31 March 2012 £'000
Operational Assets:		
- Dwellings	222,291	223,419
- Other Properties	6,268	6,290
- Land	379	179
- Equipment	193	110
Non-Operational Assets	-	-
<b>Total Balance Sheet Items</b>	<b>229,131</b>	<b>229,998</b>

### 4. 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 34% on the market valuations) is the 'Economic Cost' to the Government of providing council housing at less than open market rents.

## NOTES TO THE HOUSING REVENUE ACCOUNT

	1 April 2011 £'000	1 April 2010 £'000
Vacant Possession Value of Dwellings	650,433	662,074
Balance Sheet Value of Dwellings	222,291	324,477
<b>Economic Cost to Government</b>	<b>428,142</b>	<b>337,597</b>

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

### 5. Summary of Capital Expenditure Funding Sources

	2011/12 £'000	2010/11 £'000
Government Grant	87	27
Internal Borrowing	-	-
Prudential Borrowing	-	-
Usable Capital Receipts	-	-
Revenue and Other Contributions	3,263	1,224
Major Repairs Reserve	5,174	4,504
<b>TOTAL CAPITAL EXPENDITURE FUNDING</b>	<b>8,524</b>	<b>5,755</b>

### 6. Intangible Assets / Revenue Expenditure Funded from Capital under Statute

During 2011/12 the Housing Revenue Account incurred capital expenditure amounting to £90,570 on Intangible Assets, which is capital expenditure incurred by the Council on non-physical assets. All of the £90,570 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. The entire cost was amortised to revenue in 2011/12.

### 7. Revaluations Impairment

The 1 April 2012 valuation of the housing stock by the District Valuer shows that the value of the Council's housing stock has decreased by £5.6m whilst land valuations have increased by £0.5m giving a net £5.1m Revaluation Impairment charge to be made to the HRA.

The housing stock is valued on an "Existing Use – Social Housing" (EUV-SH) basis, derived from the Open Market Value (OMV), discounted by a Regional Adjustment Factor, which is determined by the Department for Communities and Local Government (DCLG). Currently, this is just 34% of the Open Market Value.



# NOTES TO THE HOUSING REVENUE ACCOUNT

## 8. Summary of Capital Receipts

	2011/12 £'000	2010/11 £'000
Sale of Council Houses	315	815
Sale of Land	592	80
Repayment of Discount	-	-
Sale of Council Houses Advances Repaid	9	14
Repayment of Grants	-	17
<b>TOTAL CAPITAL RECEIPTS</b>	<b>916</b>	<b>926</b>

## 9. Depreciation of Fixed Assets

	2011/12 £'000	2010/11 £'000
Operational Assets		
- Dwellings, Other Land, Buildings	2,448	3,299
- Equipment	89	102
Non-Operational Assets	-	-
<b>TOTAL DEPRECIATION</b>	<b>2,537</b>	<b>3,401</b>

A full valuation of the stock has to be undertaken every 5 years and the latest one was carried out for the 1 April 2010 valuation exercise and the results have been incorporated into the values shown in the balance sheet.

## 10. Bad or Doubtful Debts

Net arrears on rent accounts and sub-accounts amounted to £1,438,776 at 31 March 2012 (£1,399,020 at 31 March 2011), an increase of £39,756. They consist of both current and former tenant rent arrears and pre-payments, unpaid court costs and supporting people charges and housing benefit overpayments. During 2011/12, current rent arrears (dwellings and garages), increased from £772,118 to £880,128. As a proportion of net rent collectable (gross rent net of housing benefit payments), it increased from 8.16% to 8.66%. Total rent arrears increased from £1,173,018 to £1,258,768, an increase of £85,750, which as a proportion of net rent collectable, represents a fall of 0.64% from 14.79% to 14.15%. The aggregate provision for uncollectable debts has increased £83,450, from £920,970 to £1,004,420 as at the 31 March 2012.

## 11. Sums Directed by the Secretary of State to be Debited / Credited to the Housing Revenue Account

Subsidy is calculated using a "model" of an authority's Housing Revenue Account. Figures used in the model are 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. Any "surplus" which is produced is debited to the Housing Revenue Account and paid to the Government as a contribution to the National Housing Rent Pool as "Sums Directed by the Secretary of State". In 2011/12, the net contribution payable was £8.33m (£7.28m in 2010/11).

2011/12 is the final year that contributions to the National Housing Pool will be payable as it has been replaced by the Housing Self Financing regime. This required the Council to "buy" itself out of the old system by making a one-off payment to the Government of £136.2m.

# NOTES TO THE HOUSING REVENUE ACCOUNT

The net contribution to the Housing Rent Pool calculation is as follows:

	2011/12 £'000	2010/11 £'000
<b><u>CREDITS:</u></b>		
Rents	21,712	20,587
Other Income	1	1
<b>TOTAL CREDITS</b>	<b>21,713</b>	<b>20,588</b>
<b><u>DEBITS</u></b>		
Management and Maintenance	8,871	8,826
Major Repairs Allowance	3,771	3,699
Loan Charges	689	781
Other Allowances	49	-
Balance to National Housing Pool	8,333	7,282
<b>TOTAL DEBITS</b>	<b>21,713</b>	<b>20,588</b>

## 12. H.R.A. – Accounting for Pensions under IAS19

The following transactions have been made in the H.R.A. Income and Expenditure Account and Statement of Movement in the H.R.A. Balance during the year:

	2011/12 £000	2010/11 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- current service cost	205	214
- past service costs	-	-
- settlements and curtailments	-	-
<i>Financing and Investment Income and Expenditure:</i>		
- interest cost	488	467
- expected return on scheme assets	(456)	(473)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>237</b>	<b>208</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- actuarial gains and losses	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>237</b>	<b>208</b>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(237)	(208)
<b>Actual amount charged against the Housing Revenue Account Balance for pensions in the year:</b>		
- employer's contributions payable to scheme	199	190

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 13. **Adjustments Between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments that are made to the total HRA income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2011/12 £000	2010/11 £000
<b>Adjustments primarily involving the Capital</b>		
<b>Adjustment Account:</b>		
<b>Reversal of items debited or credited to the HRA</b>		
<b>Income and Expenditure Statement:</b>		
Revaluation losses on Property Plant and Equipment	(5,141)	(94,989)
Amortisation of intangible assets	-	-
Revenue expenditure funded from capital under statute	(90)	(64)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the HRA Income and Expenditure Statement	(321)	(199)
<b>Insertion of items not debited or credited to the HRA</b>		
<b>Income and Expenditure Statement:</b>		
HRA Self Financing Payment to Government	(136,157)	-
Capital expenditure charged against HRA balances	3,263	1,224
<b>Adjustments primarily involving the Capital Receipts</b>		
<b>Reserve:</b>		
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the HRA Income and Expenditure Statement	825	910
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
<b>Adjustments primarily involving the Major Repairs</b>		
<b>Reserve:</b>		
Reversal of Major Repairs Allowance credited to the HRA	1,234	299
<b>Adjustment primarily involving the Financial</b>		
<b>Instruments Adjustment Account:</b>		
Amount by which finance costs charged to the HRA Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	297	391
<b>Adjustments primarily involving the Pensions</b>		
<b>Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement (see HRA Note 12)	(237)	(208)
Employer's pensions contributions and direct payments to pensioners payable in the year	199	190
<b>Adjustments primarily involving the Accumulated</b>		
<b>Absences Account:</b>		
Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	(2)
<b>Total Adjustments</b>	<b>(136,127)</b>	<b>(92,448)</b>

## 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.

Actual 2010/11 £000		Notes	Actual 2011/12 £000
	<b>INCOME</b>		
(3,699)	MRA Subsidy		(3,771)
(456)	Depreciation on Non-Dwelling Assets		(499)
755	Dwellings Depreciation Adjustment		1,733
<b>(3,400)</b>	<b>TOTAL INCOME</b>		<b>(2,537)</b>
	<b>EXPENDITURE</b>		
4,504	MRA Contribution to Capital Expenditure	1	5,174
456	Non-Dwelling Assets Depreciation Adjustment	2	499
(755)	Dwellings Assets Depreciation Adjustment	3	(1,733)
<b>4,205</b>	<b>TOTAL EXPENDITURE</b>		<b>3,940</b>
805	<b>Net (Surplus) / Deficit to Balances</b>		<b>1,403</b>
(3,218)	Balance Brought Forward		(2,413)
<b>(2,413)</b>	<b>Balance carried forward</b>	4	<b>(1,010)</b>

### 1. MRA Contribution to Capital Expenditure

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

### 2. Depreciation on Non-Dwelling Assets

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

### 3. Dwellings Depreciation Adjustment

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

### 4. Balance on Account

The balance on the account, at the end of March 2012 is £1.0m which can be used for capital expenditure in future years to help maintain the condition of the stock and increase the life of the property and number of tenancy years occupation. Under the current Housing Capital Finance regime it can 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.

## HOUSING REPAIRS ACCOUNT

This account was used to keep a separate record of income and expenditure relating to the repair and maintenance of the authority's dwellings. It is not a statutory account, but it was considered 'best practice' to keep a separate account of these transactions. 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. In preparation for the implementation of Housing Self Financing from April 2012, the balance on the account at the year end, £1.7m, has been transferred to a new HRA Capital Investment Reserve, in preparation for proposed investment in building new properties. Consequently, the Housing Repairs Account will cease to exist from 1 April 2012.

Actual 2010/11 £000		Notes	Actual 2011/12 £000
	<b>INCOME</b>		
4,942	Contribution from Housing Revenue Account		7,674
<b>4,942</b>	<b>TOTAL INCOME</b>		<b>7,674</b>
	<b>EXPENDITURE</b>		
1,641	Major Works Programme		1,961
2,332	Routine Maintenance		2,484
1,224	Revenue Contribution to Capital Outlay	1	3,263
<b>5,197</b>	<b>TOTAL EXPENDITURE</b>		<b>7,708</b>
255	<b>Net (Surplus) / Deficit to Balances</b>		<b>34</b>
(1,989)	Balance Brought Forward		(1,734)
-	Balance Transferred to HRA Capital Investment Reserve	2	1,700
<b>(1,734)</b>	<b>Balance carried forward</b>		<b>-</b>

### 1. Revenue Contribution to Capital Outlay

The Housing Repairs Account normally makes a contribution to support the Housing capital programme and in 2011/12 this was £3.3m (£1.2m in 2010/11).

### 2. Balance on Account

There was no change from the opening balance on the account which remained at £1.7m. Contributions towards capital works increased significantly by £2.0m during this period, mainly due to the solar panel programme and increased expenditure as a result of the Service Improvement Plan (SIP) investment in stock.

## COLLECTION FUND

This statement details the transactions relating to the collection of council tax and national non-domestic rates (NNDR). The Council acts as an agent to collect council tax on behalf of Warwickshire County Council and Warwickshire Police Authority and NNDR on behalf of the Government.

2010/11 £000		Notes	2011/12 £000      £000	
<b>INCOME</b>				
(70,744)	Income from Council Tax (net of benefits)			(71,702)
	Transfers from General Fund:			
(8,182)	- Council Tax Benefits			(7,997)
(59,176)	Income Collectable from Business Ratepayers			(60,680)
<b>(138,102)</b>	<b>TOTAL INCOME</b>			<b>(140,379)</b>
<b>EXPENDITURE</b>				
	Precepts and Demands:			
60,802	- Warwickshire County Council	4	61,529	
9,163	- Warwickshire Police Authority	4	9,272	
8,803	- Warwick District Council	4	8,939	79,740
	Business Rates:			
58,962	- Payment to National Pool		60,465	
214	- Warwick District Council: Cost of Collection Allowance		215	60,680
	Bad Debts and Appeals re Council Tax			
225	Write-offs		198	
18	Provision for Bad Debts and Appeals re Council Tax		100	298
<b>138,187</b>	<b>TOTAL EXPENDITURE</b>			<b>140,718</b>
<b>85</b>	<b>Net (Surplus) / Deficit for Year</b>			<b>339</b>
<b>BALANCES</b>				
(103)	Balance 1 April			(18)
85	(Surplus) / Deficit for Year			339
<b>(18)</b>	<b>Balance 31 March</b>	<b>5</b>		<b>321</b>

# NOTES TO THE COLLECTION FUND

## 1. General

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

## 2. Council Tax

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

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Dwellings
@	14.22	5 / 9	7.90
A	3,556.65	6 / 9	2,371.10
B	9,027.64	7 / 9	7,021.50
C	14,015.36	8 / 9	12,458.10
D	10,768.90	9 / 9	10,768.90
E	6,064.53	11 / 9	7,412.20
F	4,436.93	13 / 9	6,408.90
G	3,541.50	15 / 9	5,902.50
H	351.50	18 / 9	703.00
	<b>51,777.23</b>		<b>53,054.10</b>

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

206.62

**COUNCIL TAX BASE 2011/12**

**53,260.72**

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,497.17 the original estimated Council Tax income, including Council Tax Benefit, was £79.7m compared with the actual income credited to the Fund of £79.4m which is made up as follows:

	£'000
Council Tax (net of benefits, transitional relief, bad debts and write-offs)	(71,404)
Council Tax Benefits	(7,997)
<b>INCOME FROM COUNCIL TAX 2011/12</b>	<b>(79,401)</b>

## 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 43.3p. 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 £163,323,192 at 31 March 2012.

## NOTES TO THE COLLECTION FUND

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

The following authorities made significant demand on the Collection Fund during 2011/12:

Warwickshire County Council	£61,529,221.69
Warwickshire Police Authority	£9,272,497.65
Warwick District Council	£8,938,412.00



## NOTES TO THE COLLECTION FUND

### 5. Accounting for the Collection Fund

The Code requires the collection of council tax and NNDR to be treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances of arrears, prepayments and bad debt provisions are apportioned out and only the Council's elements are included in the Balance Sheet in their respective groups. The net amounts attributable to the other major preceptors and central government are included as either debtors or creditors depending on the net position for each.

#### COLLECTION FUND 31st March 2011

#### COLLECTION FUND 31st March 2012

Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. Police £'000	Central Govt. £'000		Balance Sheet	Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. Police £'000	Central Govt. £'000
					<b>Arrears</b>						
1,855	208	1,431	216	-	Council Tax	Debtors	1,830	205	1,405	220	-
1,134	-	-	-	1,134	NNDR	Debtors	1,087	-	-	-	1,087
					<b>Impairment Allowance for Doubtful Debts</b>						
(406)	(46)	(313)	(47)	-	Council Tax	Bad Debts	(506)	(57)	(388)	(61)	-
(815)	-	-	-	(815)	NNDR	Debtors	(665)	-	-	-	(665)
					<b>Overpayments and Prepayments</b>						
(581)	(65)	(448)	(68)	-	Council Tax	Creditors	(697)	(78)	(535)	(84)	-
(644)	-	-	-	(644)	NNDR	Debtors	(673)	-	-	-	(673)
					<b>Collection Fund Balance</b>						
(14)	-	(14)	-	-	Warwickshire County Council	Creditors	247	-	247	-	-
(2)	-	-	(2)	-	Warwickshire Police Authority	Creditors	38	-	-	38	-
(2)	(2)	-	-	-	Warwick District Council	Coll. Fund	36	36	-	-	-
					<b>NNDR Pool</b>						
908	-	-	-	908	Balance	Debtors	(738)	-	-	-	(738)
					<b>Balance Sheet:</b>						
1,546	208	656	99	583	Debtors		58	205	729	113	(989)
(65)	(65)	-	-	-	Creditors		(78)	(78)	-	-	-
(46)	(46)	-	-	-	Bad Debts		(57)	(57)	-	-	-
(2)	(2)	-	-	-	Collection Fund Adjustment A/c		36	36	-	-	-

## GLOSSARY

This section explains complicated terms that have been used in this document.

### Accruals

Cost of goods and services received in the year but not yet paid for.

### Actuarial gain (loss)

The changes in the pension fund's deficits or surpluses that arise because of:

- a) Events have not coincided with the assumption used by the actuary when carrying out the previous triennial valuation of the fund; or
- b) The actuary changing the assumptions used in the current triennial valuation exercise from those used previously.

### Agency

Where one Authority (the main Authority) pays another Authority (the agent) to do work for them.

### Amortisation

The drop in value of intangible assets as they become out of date.

### Asset

An item which is intended to be used for several years such as a building or a vehicle.

### Band D Equivalent

Council Tax is a tax on domestic properties. Each domestic property is placed in a 'band' from A to H based on the capital value of that property in April 1991. Band D is the middle band and the other bands are weighted in relation to Band D. (e.g. Band A is weighted 5/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produced the Band D Equivalent number of properties.

### Best Value

Under the Local Government Act 1999, Local Authorities must constantly aim to improve their services. Best Value was the approach introduced that gives Local Authorities a duty to provide local people with high-quality and efficient services.

### Billing Authority

This is the Local Authority which collects the Council Tax for its area. In shire counties the District or Borough Council is the billing Authority.

### Budget

A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

### Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

### Capital Adjustment Account

Resources set aside to meet past capital expenditure.

### Capital programme

Our plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

## **GLOSSARY**

### **Capital receipt**

Income from selling assets that have a long-term value. Capital receipts can be used to finance new capital expenditure within rules set by central government, but they cannot be used to finance day-to-day spending.

### **Capital spending**

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles.

### **Capital spending charged to revenue**

Paying for capital spending direct from the Council's revenue monies.

### **Cash-flow statement**

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy. One of the major accountancy institutes which specialises in the public sector.

### **Collection Fund**

A fund managed by the billing Authority (this Council) to receive Business Rates income and Council Tax income. It is also used to make payments to the national business rates pool and to pay a share of Council Tax collected to the County Council, Police Authority, this Council and the town and parish councils.

### **Contingent liability**

A possible liability which may arise when we know the outcome of outstanding claims made against us.

### **Corporate and democratic core**

Spending relating to the need to co-ordinate and account for the many services we provide to the public including the cost of member representation and activities associated with public accountability.

### **Council Tax**

A tax charged on domestic householders based on their property band. There are eight bands of property values. The amount paid will depend on which band your property is in. There is a reduction for empty properties or if you live on your own. In Warwickshire, the District or Borough Council issues Council Tax bills and collects the Council Tax.

### **Council Tax Base**

An assessment by each billing Authority of the number of converted to Band D equivalents (the average band) properties, after allowing for non-collection and new properties, on which a tax can be charged.

### **Creditors**

People or organisations we owe money to for work, goods or services which have not been paid for by the end of the financial year.

### **Current assets**

Short-term assets that constantly change in value such as stocks, debtors and bank balances.

### **Current liabilities**

Monies that are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

## GLOSSARY

### Current service cost

The current service cost is the increase in the value of the pension scheme's future pension liabilities arising from the employee's on-going membership of the pension scheme.

### Current spending

The yearly running costs of Local Authorities, not including specific grants and the cost of buying our assets.

### Curtailed costs

Curtailed costs are the amounts of money that are paid to a new pension scheme when a defined group of staff transfer from one pension scheme to another. The costs represent the value of the pension rights accrued by the transferring staff.

### Debtors

People who owe us money that is not paid by the end of the financial year.

### Depreciation

The drop in the value of assets such as buildings and vehicles which reflects wear and tear, age and the asset becoming out of date.

### Earmarked reserves

Money set aside for a specific purpose.

### Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

### Financial Reporting Standard (FRS)

Recommendations on the way we need to treat certain items in our accounts.

### General reserves

Money set aside to be used in the future to meet unforeseen eventualities.

### Government grants

Payment by the Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant).

### Gross spending

The cost of providing our services before allowing for government grants or other income.

### International Financial Reporting Standards (IFRS)

Accounting standards/ practices on the way we need to treat certain items in our accounts.

### Inventories

Goods bought which have not yet been used.

### Leasing

A method of renting the use of vehicles, machinery and equipment. The items do not belong to us, but are the property of the leasing company to whom we pay rentals.

### Liabilities

Money we will have to pay to people or organisations in the future.

### Loss

The amount left over when expenses are higher than all income received.

## GLOSSARY

### Material related-party transactions

Two or more organisations are 'related parties' if, during the year, one of them has some form of control over the other. By 'material' we mean of 'significant value'.

### Minimum revenue provision (MRP)

The statutory minimum amount by which the Council must set aside each year to repay loans.

### Net book value

The value of an asset after depreciation.

### Net spending

The cost of providing a service after allowing for specific grants and other income from fees and charges (i.e. not including Council Tax and money from the Government).

### Non-distributed costs

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

### Notional

An accounting entry where there is no actual cash transfer.

### Operating leases

When we lease goods using this type of lease, ownership of the goods and any profits or losses remain with the company (the lessor) leasing the goods to us.

### Overheads

Spending on items not directly related to the supply of our services, for example, office cleaning costs.

### Past service costs

The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

### Pensions interest cost and expected return on assets

All members of the scheme are one year older. The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

### Petty Cash

Small sums of cash kept by departments to pay minor expenses.

### Precept

The amount each non-billing Authority, (County Council, Police Authority) asks a billing Authority (this Council) to collect every year to meet their spending.

### Property, Plant and Equipment

An item that is intended to be used for several years such as a building or a vehicle.

### Provisions

Money set aside to meet specific service liabilities, and to meet spending.

### Prudential Code

A statutory code of practice that sets out the framework for Local Authority capital finance that ensures:

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and

Treasury management decisions are taken in accordance with professional good practice.

## **GLOSSARY**

### **Rateable Value (RV)**

A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Inland Revenue's Valuation Office Agency.

### **Reconciliation**

A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

### **Reimbursements**

Payments we receive for work we do for other public organisations, for example, the Government.

### **Reserves and funds**

Savings we have built up from surpluses.

### **Revaluation Reserve**

Store of gains on the revaluation of fixed assets.

### **Revenue spending**

Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from Council Tax, government grants, fees and charges.

### **Revenue Support Grant**

The main government grant to support local authority services.

### **Soft Loans**

Loans made at less than the market rate of interest.

### **Specific grants**

Payments from the Government to cover Local Authority spending on a particular service or project. Specific grants are usually a fixed percentage of the costs of a service or project.

### **Surplus**

The remainder after taking away all expenses from income.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL**

To follow conclusion of audit

# ANNUAL GOVERNANCE STATEMENT

## 1. SCOPE OF RESPONSIBILITY

- 1.1 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. Warwick District Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Warwick District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.
- 1.3 Warwick District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the code is on our website at [www.warwickdc.gov.uk](http://www.warwickdc.gov.uk) or can be obtained in hard copy form on request from the Audit and Risk Manager.
- 1.4 This statement explains how Warwick District Council has complied with the code and meets the requirements of regulation 4) of the Accounts and Audit (England) Regulations 2011.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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.
- 2.3 The governance framework has been in place at Warwick District Council for the year ended 31st March 2012 and up to the date of approval of the annual report and statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

The key elements of the systems, processes and activities that comprise the Authority's governance arrangements are as follows:

### 3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

- 3.1.1 In October 2010 the Council adopted Fit For the Future (FFF), its strategic response to dealing with the challenges of reduced income and rising customer expectations and demand. FFF provides an organisational framework to help the Council make progress towards its organisational purpose "To make Warwick District a great place to live,



# ANNUAL GOVERNANCE STATEMENT

work and visit". It sets out a range of activities, interventions and projects falling into two broad areas:

- a) Activities that are designed to improve societal outcomes directly for our communities. Most of these are being developed jointly with the Council's partners and relate to one or more of the priority or cross cutting themes of the Sustainable Community Strategy.
- b) Activities that are designed to improve our organisation and the services provided by the Council. These activities aim to bring about the following improvements:
  - i) delivering a balanced budget; whilst
  - ii) improving the services we provide to customers; and
  - iii) helping develop our organisation and culture so that we are better able to continuously improve.

3.1.2 FFF was formulated following an extensive period of consideration and consultation which took account of:

- Warwick District Council's values;
- the political ambitions of the Council's ruling Administration;
- the Warwick Partnership Sustainable Community Strategy (for Warwick District);
- a Systems Thinking approach to service design;
- an organisational design focusing on People and Place;
- the state of public finances;
- information on the quality of life in Warwick District;
- information from the most recent Citizens' Panel Survey;
- Strategy rationalisation;
- views of Members, staff, unions and various stakeholders and partners.

3.1.3 A comprehensive governance framework is in place to manage the progress of FFF on an ongoing basis. Measures are used to track the Council's progress.

3.1.4 Delivering the cultural change envisaged in Fit For the Future: Fit For the Future has three strands, covering the financial challenge, service quality and cultural change. Whilst robust plans are in place to address the first two, the organisation is only just starting to address the third. Achieving the third is essential to the success of the first two strands. (Action 1)

3.1.5 The Council's Portfolio Holders each publish an annual statement identifying and communicating the Council's priorities for the year. The statements are published on the Council's website.

3.1.6 Progress towards the Council's objectives is communicated to the local community via the website.

## **3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements**

3.2.1 During 2008 and 2009 the Local Strategic Partnership (LSP) reviewed both its strategic approach to delivering improved outcomes for Warwick district residents and

# ANNUAL GOVERNANCE STATEMENT

the enabling governance arrangements. The outcome of the review was Warwick District's Sustainable Community Strategy (SCS), endorsed by all LSP partners, along with streamlined governance arrangements overseen by the Warwick Partnership Executive Group (WPEG). The SCS has a vision of improving the quality of life for all the residents of Warwick district by making the district a great place to live, work and visit. Following Warwick District Council's adoption of the SCS a review of its own Corporate Strategy was undertaken. The culmination of the review was the production of FFF as described in 3.1 above.

3.2.2 The review has not encumbered the Council's constitutional governance arrangements that can be summarised as follows:

- Council is the ultimate decision making body for those matters that have not been delegated to Executive, specific officers or are required to be taken at Council level by law.
- Executive will make decisions in respect of the majority of Council matters or make recommendations to the Council.
- Overview and Scrutiny Committee will have oversight responsibility for policy development and performance monitoring whilst Finance and Audit Scrutiny Committee will oversee the adequacy of the Council's risk management and control frameworks, especially that of financial control.
- Key partnerships are reviewed on an ongoing basis by the Council's Scrutiny Committees.

3.2.3 The development of FFF has been based on Systems Thinking principles whereby service delivery is considered from a customer perspective. Some progress has been made in engaging the Scrutiny Committees in a new approach to scrutiny, particularly in the area of Partnerships and Service Area Plans. There is to be further focus on ensuring outcomes are achieved, rather than concentrating on process and meeting artificial targets.

### **3.3 Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources**

3.3.1 Performance monitoring and reporting mechanisms ensure performance management is embedded into the core management structures of the organisation. The Council has moved away from performance targets as it is considered that these act as a barrier to the ethos of continuous improvement. In their place the Council is using key performance measures such as '*no. of violent crimes*' and '*no. of drainage notices served*' to track service delivery progress. Key customer performance measures are identified in the Service Plans and Portfolio Holder Statements.

3.3.2 The Council is committed to actively consulting and involving the public in improving services. It regularly measures the experience of its services for users and gathers citizens' opinions on a variety of subjects. To this end, it employs various devices including: Residents surveys, SIMALTO, annual Housing Services survey, Customer Service surveys, Community Forums, online polls and online consultations.

3.3.3 The Council previously used a performance management system that required identified responsible officers to input data on, at least, a quarterly basis. This system was abandoned during 2010/11.

3.3.4 The Council has adopted a new approach that does not use targets as a basis for monitoring. We measure things to learn about how well we are delivering our purpose and what matters to customers and to enable us to understand what we need

# ANNUAL GOVERNANCE STATEMENT

to do to improve continuously. To this end, from April 2011, service areas have been gathering data against measures identified during the Service Ares Planning process.

3.3.5 Where service falls below customer expectations it often manifests itself in complaints. The Complaints Policy has recently been reviewed and updated. Training sessions have been provided by the Local Government Ombudsman for relevant frontline and investigating officers. Members do not review customer complaints trends. (Action 2)

3.3.6 Benchmarking is seen as a key tool for managing performance through comparing process and cost with others. Finance services such as accountancy, internal audit, treasury management, payroll and debtors are regularly benchmarked against other local authorities in terms of price and performance. Not all services, however, have embraced it.

### **3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and other functions, with clear delegation arrangements and protocols for effective communication.**

3.4.1 The Constitution sets out the respective responsibilities of Members and Officers through Codes and Protocols. It sets out the terms of reference for the Council and all of the Council's Committees. The Executive reviews the Constitution on an ongoing basis and ensures the levels of delegation are appropriate. Amendments necessary to the scheme of delegation following a senior management restructure and other minor changes were identified during the year and included in the revision to the Constitution. A further review of the Constitution is due to start in July 2012 and will culminate in a report to Executive. (Action 3)

3.4.2 A management matrix shows the relationship between Portfolio Area and Service Area. This has been communicated to all service managers and is used as part of the induction programme for new staff.

### **3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

3.5.1 The Constitution contains a Protocol and Codes of Conduct for Members and Officers. All new Members and Officers receive a copy of their respective Codes. The Officer Code is currently under review and will be presented to the Council's Employment Committee in June for approval. There is a regular review of Member interests (detailed on the Council's website) by the Standards Committee and a six-monthly review by Senior Management Team (SMT) of officer interests and declarations of gifts and hospitality. Staff are reminded annually through their payslip of the need to make declarations for conflicts of interest. There is an Anti-Fraud and Corruption Policy that each year is reviewed by the Executive. All new staff receive training on the Policy as part of the induction process and it is brought to the attention of all staff annually through the Council's internal information Portal (known as WaSP).

3.5.2 The Council's Information Security & Conduct Policy (ISCP) defines the Council's standards of behaviour when using ICT equipment or managing information. In addition, the ISCP also includes 'acceptable use' policies. The ISCP is communicated to staff during the induction process and when a major revision has occurred. Individual aspects of the policy are also highlighted to staff via the 'Core Brief' or the Council's Intranet.

3.5.3 The Authority agreed new Organisational Values in 2007 and these are now reflected in the Competency Framework that is a fundamental part of the staff appraisal and

## ANNUAL GOVERNANCE STATEMENT

development process. The Organisational Values have been a key element in the development of FFF.

### **3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which define clearly how decisions are taken and the processes and controls required managing risks**

- 3.6.1 The Code of Financial Practice was updated in April 2010. This followed a major review in 2008. The Code of Financial Practice will be reviewed during 2012, with changes made as appropriate. The Code forms part of the Constitution. Officers will need to be trained on the Code, particularly where changes have been made. (Action 4)
- 3.6.2 The Code of Procurement Practice (formerly Code of Contract Practice) is part of the Council's Constitution. Amendments to the Code were agreed by Council in April 2010 following reviews in 2008 and 2009. The intention is to review at least once a year the Code of Procurement Practice. A Procurement Strategy has been agreed by the Council and an annual Procurement Action Plan is monitored by Finance & Audit Scrutiny Committee. The Plan is overseen by the Procurement Manager who champions procurement issues across the Council.
- 3.6.3 Finance & Audit Scrutiny Committee has taken a keen interest in procurement forming a Procurement Working Party of three members that has helped raise the profile of the function throughout the organisation.
- 3.6.4 In March 2010 Executive agreed extra officer resource to help enable the authority to realise further savings. Monitoring of the savings is part of the Council's budget/financial monitoring process.
- 3.6.5 Although procurement training as been offered to both officers and members, take-up has not been as comprehensive as required. There is a need, therefore, to provide further training in this area, particularly to include those officers and members who have not received training recently. The Code of Procurement Practice will be included in on-going procurement training for senior officers and those involved in procuring goods and services. (Action 5)
- 3.6.6 A uniform report template sets out the standard information required for a Committee decision to be taken, and a protocol is in place for officer attendance at Committees. There are guidance notes for officers on writing reports. The template and associated guidance have been updated to reflect FFF.
- 3.6.7 Committee Services has identified the need to set up a system to monitor the implementation of decisions. Appropriate software has been installed allowing this to happen but other work demands have left the initiative outstanding. The Corporate Management Team (CMT) has identified the need to record better the comments of officers involved in the development of reports. (Action 6)
- 3.6.8 The process for Executive report approval has been reviewed as part of the Systems intervention in Committee and some minor amendments made to improve the process.
- 3.6.9 The Council's Risk Management Policy Statement and Strategy is updated annually and reported to Finance & Audit Scrutiny Committee. This explains the methodology that provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Management Group meets quarterly to help embed risk management across the Authority. High level corporate risks are set out in the Significant Business Risk Register (SBRR) which is reviewed quarterly by SMT and then by Executive via Finance & Audit Scrutiny Committee. Operational risks are

## ANNUAL GOVERNANCE STATEMENT

recorded on service risk registers. A programme of review for these by Finance & Audit Scrutiny Committee has been established. During 2011/12 the FFF programme had its own risk register but these are now incorporated within the SBRR.

3.6.10 Although service and strategic risks are captured and assessed, there is not a consistent approach and embedded approach to risk-assessing new projects. This is particularly important where third parties are involved. (Action 7)

### **3.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practice for Local Authorities**

3.7.1 The core functions of an audit committee are delivered by the Authority's Finance & Audit Scrutiny Committee. These are set out in its terms of reference approved by the Executive.

3.7.2 The main purposes of the Finance & Audit Scrutiny Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and to oversee the financial reporting process.

3.7.3 In addition to the main purposes of the Finance & Audit Scrutiny Committee it also:

- Approves (but not directs) Internal Audit's strategy and annual plan and reviews its performance;
- Reviews summary Internal Audit reports and the main issues arising and seeks assurance that action has been taken where necessary;
- Considers the reports of external audit and inspection agencies;
- Considers the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- Seeks assurances that action is being taken on risk related-issues identified by auditors and inspectors;
- Satisfies itself that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- Reviews the financial statements, external auditor's opinion and reports to members and monitors management action in response to the issues raised by external audit.

### **3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

3.8.1 Compliance with law and regulation is assisted by recruiting suitably qualified staff and having job descriptions and personal specifications for all posts. All senior managers receive a local government briefing to alert them to changes in the external regulatory framework and major changes are identified for reports to the Executive or Council as appropriate. As part of the service planning process the impact of new laws is addressed.

3.8.2 SMT will monitor compliance with internal policies from time to time; examples are the annual review of appraisals undertaken; compliance with health and safety policy;

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Equality and Diversity annual report. Internal Audit will identify any key policies that might need to be tested as part of any audit.

- 3.8.3 To ensure expenditure is lawful the Council agrees detailed budgets. Managers responsible for the budgets are required to sign acceptance of them. The Code of Financial Practice and Code of Procurement Practice set out procedures to ensure lawful expenditure. Both Finance staff and the Chief Financial Officer are required to sign off Committee reports to ensure relevant financial issues have been addressed. Where appropriate, reports are considered by the Council's shared Legal Service. All Executive reports are considered by the Council's Monitoring Officer.
- 3.8.4 Establishing a shared Legal Service with the County Council has meant that arrangements have been put in place whereby there is a responsibility for the relevant Head of Service to satisfy themselves as to the legality of any recommendation and if there is any doubt seek advice.
- 3.8.5 The Council publishes a Forward Plan on a monthly basis that contains details of all decisions to be made by the Executive.

## **3.9 Whistle-blowing and arrangements for receiving and investigating complaints from the public**

- 3.9.1 An Anti-Fraud and Corruption Strategy and a Whistle-blowing Policy and Procedure are in place. Both documents are reviewed annually by Finance & Audit Committee and publicised widely, including on the Council's website.
- 3.9.2 The Anti-Fraud and Corruption Strategy comprises a series of measures and procedures that are designed to frustrate any attempted fraudulent or corrupt acts. This includes:
- Establishing the appropriate culture
  - Appointing statutory officers
  - Maintaining a Council committee structure which reviews decisions, examines specific issues and promotes high standards, as well as investigating alleged breaches of the code of conduct
  - Recruiting and retaining high calibre staff
  - Establishing relevant procedures and codes that form the Council's overall control framework
  - Exchanging information with other bodies
  - Undertaking a comprehensive approach to the preparation of the Annual Governance Statement.
- 3.9.3 The Strategy also describes the arrangements for investigating allegations of wrongdoing.
- 3.9.4 The Whistle-blowing Policy provides a channel for those that have serious concerns about any aspect of the Council's work to come forward and express those concerns anonymously and safely.
- 3.9.5 The policy aims to:
- Encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice
  - Provide avenues for employees to raise those concerns and receive feedback on any action taken

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- Ensure that employees receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied
- Reassure employees that they will be protected from possible reprisals or victimisation if they have reported their concerns in good faith.

3.9.6 The policy gives examples of the possible concerns that may exist, how these should be raised and how the Council will respond. In the event of dissatisfaction, other avenues for raising concerns are also set out within the policy.

3.9.7 This includes the Council's confidential telephone helpline 'in touch'.

3.9.8 The Council has a Complaints Policy that describes how members of the public can make a complaint. All investigating officers have attended the LGO respective LGO training course on effective complaint handling. If a complainant is dissatisfied with the outcome of the initial investigation they can request that the complaint be investigated again. This will be by an officer outside of the service to which the complaint relates. If the complainant is still dissatisfied they have the right to have the complaint referred to the Local Government Ombudsman for investigation and resolution.

## **3.10 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

3.10.1 There is a Members' Development Programme agreed by the Members' Development Group and Employment Committee.

3.10.2 Training for senior officers is identified through the induction programme and on an ongoing basis through the competency and personal development framework process that requires a review of development needs.

3.10.3 Members of the Corporate Management Team are encouraged to attend appropriate SOLACE training whilst all senior managers are encouraged to attend relevant professional seminars and conferences.

3.10.4 As identified earlier, training for senior officers and members is required in the areas of contract and financial management.

3.10.5 A need to provide training for Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively has also been identified. (Action 8)

## **3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

3.11.1 The LSP enables a two-way dialogue across the whole spectrum of the Council's activities that involve key local stakeholders in partnership working e.g. County Council, Primary Care Trust (PCT) and Voluntary Sector (VS). As described at 3.2, the LSP has been reviewed and revised.

3.11.2 Locality Working, which has extended the remit of the local neighbourhood policing forums to cover the totality of local government working (District, County and Parish/Town) along with PCT and VS, is now active in all parts of the District through the operation of 7 Community Forums. Forum attendees identify community priorities and allocate resources provided by the District and County Councils to specific projects.

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- 3.11.3 The Council has identified the need to improve its dialogue with hard to reach groups in order to ensure its services are responsive to the whole community. A Community Engagement Strategy has been agreed by Executive and the revised Committee Report template is more explicit in ensuring that officers identify what consultation has occurred when proposals are brought forward. A network of Equality Forums is also being established, supported through Council funding to the Voluntary and Community Sector.
- 3.11.4 In recent years the Council consulted the Citizen's Panel on its proposed budget, council tax and the allocation of resources. During 2011/12, however, a consultancy firm was commissioned using the SIMALTO modelling approach to obtain residents' views on future spending decisions. This research method involves face-to-face interviews.
- 3.11.5 The Executive considered the results of the consultation and has incorporated changes where possible within the 2012/13 budget proposed and the medium term financial projections. This includes increasing the allocations of travel tokens and retaining all one stop shops.
- 3.11.6 The SIMALTO consultation is not intended to be carried out annually and is planned next for 2014. During 2011/12 the Residents' Satisfaction Survey is planned.
- 3.11.7 The Mosaic methodology is also used to classify socio-demographic datasets.
- 3.11.8 A Channel Strategy based on understanding customer behaviour and their needs has been drafted. The channels our customers use vary from more traditional ones like face-to-face and telephone to newer channels like social media and mobile web access. The strategy ensures we are focusing our resources on the channels and services that are important to our customers.
- 3.11.9 In terms of communication and organisation there is dissatisfaction from the political and managerial leadership with the way Planning Committee operates. A comprehensive review will take place during the early part of the financial year. (Action 9)

### **3.12 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements**

- 3.12.1 The Council has updated its policy for managing its partnership arrangements. The governance arrangements for all partnerships have been reviewed with all lead officers being required to complete a Partnership Checklist to identify any governance weaknesses. All new partnerships must be approved by Executive with a partnership checklist accompanying the report presented to the Executive.
- 3.12.2 The Scrutiny Committees also have a role for reviewing the effectiveness of partnerships. This work has continued through 2011/12 and has enabled Scrutiny Committees to play a valuable role in ensuring that the Council's partnerships remain effective and are value for money.
- 3.12.3 Formal agreements such as a memorandum of understanding or service level agreement are not applied consistently to all shared service arrangements. This needs to be addressed. (Action 10)



# ANNUAL GOVERNANCE STATEMENT

## 4. REVIEW OF EFFECTIVENESS

4.1 Warwick District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment;
- the Audit & Risk Manager's annual report; and
- comments made by the external auditors and other review agencies and inspectorates.

4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:

### 4.3 The Authority

4.3.1 The Council is responsible for agreeing the changes to the Constitution that have been developed during the year. This Annual Governance Statement is also reported to the Council when it approves the financial statements.

### 4.4 The Executive

4.4.1 The Executive agreed a new Code of Corporate Governance in March 2008. The Code of Corporate Governance is endorsed by Standards Committee each year.

### 4.5 The Finance & Audit Scrutiny Committee and the Overview and Scrutiny Committee

4.5.1 The Council has delegated to Finance & Audit Scrutiny Committee responsibility for discharging the functions of an audit committee. Its main purposes are to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the authority's financial and non-financial performance; and oversee the financial reporting process.

4.5.2 Each quarter the committee reviews the findings from Internal Audit assignments completed during those periods, whilst annually it receives a report on the effectiveness of Internal Audit. It also considers reports from external audit and other review agencies as and when they are issued.

### 4.6 The Standards Committee

4.6.1 The Code of Corporate Governance and the requirement to produce an Annual Governance Statement has led to responsibility for Corporate Governance, and the review of the Annual Governance Statement, being explicitly recognised in the terms of reference of the Standards Committee.

### 4.7 Internal Audit

4.7.1 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 Finance & Audit Scrutiny Committee and from which the audit assignments are identified.

## **ANNUAL GOVERNANCE STATEMENT**

- 4.7.2 A report of each audit is submitted to the relevant Service Area Manager. The report includes an action plan comprising recommendations for improvements in control and management responses.
- 4.7.3 Quarterly reports are issued to Members on progress in achieving the annual plan. The reports also contain copies of all action plans issued to managers in the quarter, details of any outstanding responses and, where the level of assurance given is less than substantial, copies of the audit reports.
- 4.7.4 A peer review of the service was undertaken during the year with the result that some areas for improvement were identified. An action plan was produced with progress in addressing the items being reported to committee regularly.
- 4.7.5 The Internal Audit Section is subject also to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

### **4.8 Other review/assurance mechanisms**

- 4.8.1 The Scrutiny Committees, the Standards Committee and External Audit contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use has been made of other review agencies such as peer assessors from the West Midlands Local Government Association. The Council has invited a Peer Review to take place in July 2012 and the Executive is currently receiving mentor support from a leading external Councillor.
- 4.8.2 The Council is audited annually to ensure it meets a set of mandatory information assurance requirements set by central government called the Code of Connection (CoCo). CoCo requires local authorities to provide a compliance statement that documents how their information technology meets baseline requirements that are adopted from ISO 27001. The effective use of ICT Resources is critical in the efficient delivery of Council services to its citizens. To ensure these resources are aligned the authority's vision, new governance arrangements were introduced to manage the Council's ICT Resources, the creation of an ICT Steering Group. ICT Resource allocation is directly aligned to Council priorities and appropriate reporting and monitoring arrangements have been put in place.
- 4.8.3 The Council has also been Investors In People accredited since the 1998 and received Bronze accreditation in 2011. A number of services are externally accredited against specific standards. Food Safety's ISO9000 quality management system was re-accredited during the year. In addition, Housing & Property Services achieved the Telecare Services Association's Platinum Standard and Cultural Services' leisure centres continue to be Approved Training Centres for the Institute of Qualified Lifeguards. The Plain English Campaign awarded the Council website its Internet Crystal Mark standard. The Council also received during the year the 'Positive About Disability' Award for its employee recruitment and selection processes. The Council's website was also awarded Digital Accessibility Centre Accreditation.

## **5. SIGNIFICANT GOVERNANCE ISSUES**

- 5.1 Governance issues that are identified for improvement are highlighted in the bullets below. The actions have been identified through collecting the evidence required to produce the statement, e.g. from the Service Assurance Statements:
1. Robust plans to be developed to address cultural change in the organisation – the third strand of Fit For the Future. (3.1.4)
  2. Risk Assessments for new projects to be regularly created and updated, especially where third parties are involved. (3.3.5)

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3. For all shared service arrangements, formal agreement such as memorandum of understanding or SLA to be established. (3.4.1)
4. Members to review on an ongoing basis customer complaint trends. (3.6.1)
5. The Council's constitution to be reviewed. (3.6.5)
6. Officers to be trained on the Council's Code of Financial Practice. (3.6.7)
7. Appropriate contract management training, including on the Code of Procurement Practice, to be provided to all members, senior managers and budget managers. (3.6.10)
8. Arrangements to be established to monitor the implementation of decisions made by Members. (3.10.5)
9. Training to be provided for Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively. (3.11.9)
10. Operation of Planning Committee to be comprehensively reviewed. (3.12.3)

5.2 We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

### **Signed:**

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Michael Doody  
Leader of the Council

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Chris Elliott  
Chief Executive

### **Dated:**

26 June 2011

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26 June 2011

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