Finance & Audit Scrutiny Committee
Wednesday 3 November 2021

A meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Wednesday 3 November 2021, at 6.00pm and available for the public to watch via the Warwick District Council YouTube channel.

Councillor J Nicholls (Chair)

Councillor M Ashford	Councillor M Luckhurst
Councillor I Davison	Councillor N Murphy
Councillor R Dickson	Councillor S Syson
Councillor J Grey	Councillor J Tracey
Councillor G Illingworth	

Emergency Procedure

At the commencement of the meeting, the emergency procedure for the Town Hall will be announced.

Agenda
Part A – General

1. **Apologies & Substitutes**

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

2. **Declarations of Interest**

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

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

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

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

3. **Minutes**

To confirm the minutes of the meeting held on 22 September 2021 **(Pages 1 to 8)**

Part B – Audit Items

4. **Treasury Management Activity Report for period 1 April 2021 to 30 September 2021**

   To consider a report from Finance **(Pages 1 to 29)**

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

   To consider a report from Finance **(Pages 1 to 173)**

6. **Follow up report looking into the progress made by Just-Inspire in terms of their recovery**

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

Part C – Scrutiny Items

7. **Update on the Joint Work with SDC**

   To consider a report from the Chief Executive **(Pages 1 to 12)**

8. **Review of the Work Programme and Forward Plan & Comments from the Cabinet**

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

9. **Cabinet Agenda (Non-Confidential Items and Reports) – Thursday 4 November 2021**

   To consider the non-confidential items on the Cabinet agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the morning after Group meetings.

   (Circulated Separately)

10. **Public & Press**

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

11. **Cabinet Agenda (Confidential Items and Reports) – Thursday 4 November 2021**

    To consider the confidential items on the Cabinet agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the morning after Group meetings.

    (Circulated separately)

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Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 22 September 2021 in the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Nicholls (Chair); Councillors: Ashford, R Dickson, Grey, Illingworth, Luckhurst, Syson and Tracey.

Also present: Councillor Cooke (Portfolio Holder for Place and Economy) and Councillor Hales (Portfolio Holder for Transformation).

31. **Apologies and Substitutes**

(a) apologies for absence were received from Councillors Davison and Heath; and
(b) there were no substitutes.

32. **Declarations of Interest**

There were no declarations of interest.

33. **Minutes**

The minutes of the meetings held on 7 July 2021 and 11 August 2021 were taken as read and signed by the Chair as a correct record.

34. **Internal Audit Quarter 1 2021/22 Progress Report**

The Committee received a report from Finance that reported on the progress in achieving the Internal Audit Plan 2020/21, summarised the audit work completed in the first quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

Two audits were completed in the first quarter of 2021/22. Both audits were awarded a substantial assurance opinion.

The Internal Audit reports relating to the audits completed in the quarter were available for viewing on the online agenda for the meeting.

The action plans accompanying these reports were set out for separate scrutiny as Appendix 3 to the report. This detailed the recommendations arising together with the management responses, including target implementation dates. As could be seen in the Appendix, responses had been received from managers to all recommendations that were made.

In a change to previous reports, a new method of following up on recommendations had recently been implemented. Rather than seeking to determine the implementation status of recommendations after a set period (either three or nine months, depending on the risk rating assigned to the recommendation), the recommendations were now followed up once the implementation date had passed. Officers were also now able to provide an update as soon as they had completed the agreed action, as opposed to waiting to be chased for a response.

As this was the first time that this process had been used, there were a relatively large number of recommendations included within the report. This was because there were a number that were due to be followed up under the old process where the implementation date has already passed in addition to those that were due to be completed within this quarter. In future, the reports would cover only those that were due to implemented in the relevant quarter.

Where officers had not completed the recommendation in line with the original target date, they were now being asked for a new date by which the agreed action would be completed. If this was not met, this would be flagged separately in future reports to Finance & Audit Scrutiny Committee (with, as per usual protocol, the option of Members asking the officers to attend to explain the lack of progress).

The state of implementation for all relevant recommendations was set out in Appendix 4 to the report, including two recommendations where no response had been forthcoming.

With regards to the outstanding responses, these related to actions that were shown as completed at the time of the final report which, historically, would not have been followed up. However, before agreeing to show the action as completed in the final reports, evidence was now sought of what had been done. Both these actions belonged to the Development Services Manager. No implementation dates had been amended.

Resolved that the report and appendices be noted.

35. **Annual Governance Statement 2020/21 Action Plan: Review of Progress**

The Committee received a report from Finance that reviewed the progress that was being made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement 2020/21. The appendix accompanying the report set out the progress in addressing the Significant Governance Issues.

The governance issues facing the Council had been identified from production of the statutory Annual Governance Statement and were summarised in the Action Plan element of the Annual Governance Statement for 2020/21.

The appendix accompanying the report set out the progress in addressing those issues. Progress was reported by the officers leading on them and had been endorsed by the WDC members of the Joint Management Team at a recent meeting.

Resolved that the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2020/21, be noted.

36. **Progress on Audit of Accounts and associated matters from External Auditors**

The Committee received a report from Finance. In accordance with the agreed Audit Plan, the Audited Statement of Accounts was due to be signed off by the Committee at this meeting. With the current working arrangements, there had been some delays to the completion of the audit. This was discussed more fully within the Audit Progress Report from the external auditors which formed part of the report the Committee considered, with the intention for the Accounts would be now signed off in November.

The external auditors also provided the following documents for the Committee's attention:

- Sector Update Report.
- Lessons from recent Public Interest Reports.

The draft 2020/21 Statement of Accounts was prepared ahead of the 31 July deadline, with the intention for the audits accounts to be published by the official deadline of 30 September. For reasons discussed within the appended report from the Council's external auditors, this would not be possible. The audit was still progressing, with the Audit Findings Report due to be reported at the Committee's next meeting, so enabling the accounts to subsequently be signed off.

Whilst it was disappointing that the accounts would not be signed off by the official deadline, the Council would be far from unique. Last year, a large proportion of audits were not signed off by the deadline, with many bodies expecting to be in this position for the 2020/21 Accounts.

In response to questions from Members, the Strategic Finance Manager advised that:

- The original audit plan was agreed in July, but was normally agreed in April. This had an impact on resource within WDC with the audit then having to take place in August, in this year particularly, usually a holiday season for staff with annual leave creating challenges. Key members of the audit team were also off unexpectedly, and there had also been a change in the audit team.
- The introduction of a new financial management system, which was expected to go live in few months, would help address some of the issues that had arisen in previous years.
- There was confidence that the new financial management system would be in place by November, and there was a target date of October for the rollout of training. Councillor Hales concurred and stated that an update had come from the project board to say the target date for training was 5 October.
- The national deadline for publishing the draft statement was 1 August, but WDC published on 19 July. The sign off of the statement of accounts deadline was 30 September, but that deadline would be missed, however that was not uncommon, particularly this year. Auditors had had challenges in recent years – 57% of audits were signed off by the deadline of 30 November in the previous year, and there was an expectation that would be lower for 2021.

- Typically, there would be a performance review meeting with Grant Thornton once everything had been signed, so a review process would likely take place in the new year, but ahead of next year's Audit, which would give an opportunity to work on how to progress going forward. In response to a suggestion from the Chair, once that performance review takes place, a subsequent report would be brought to the Committee

Councillor Hales, the Portfolio Holder for Transformation, advised that another of the complexities that the team had faced was that they had distributed unprecedented levels of grants, and he commended the staff for what they had dealt with and the additional pressures they had faced over the past year. Although other Councils had faced similar problems, there were lessons to be learnt that could be taken forward with the auditors.

Resolved that

(1) the report, including the report of the external aAuditors, be noted; and

(2) the Sector Update Report and the Lessons from recent Public Interest Reports, be noted.

37. **Cabinet Agenda (Non-Confidential items and reports) – Thursday 23 September 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 23 September 2021.

Item 6 – Quarter 1 Budget Report

The Committee supported the recommendations in the report.

Item 9 – Royal Leamington Spa Town Centre

The Finance & Audit Scrutiny Committee supported the proposals. Members expressed the view however that the Independent Chair of the Board should not also chair the Advisory Board given that each had different roles in the envisaged governance arrangements. The selection of the Chair and the members of the Board would be crucial to the success of the undertaking.

The Committee also welcomed the idea that the governance could evolve once the Independent Chair was appointed, and the work got underway and was therefore not set in stone. Members wished to also express the view that the groups represented on the Advisory Board should capture the breadth of expertise in Royal Leamington Spa, economic or otherwise and they therefore welcomed the fact that the groups listed were at this point examples and not exclusive.

38. **Public and Press**

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

39. **Cabinet Agenda (Confidential items and reports) – Thursday 23 September 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 23 September 2021.

Item 13 – Low Carbon Enabling Development

The Finance & Audit Scrutiny Committee supported the recommendations in the report. In so doing, Members raised concerns about the need to invest appropriately in executive capacity to deliver such big projects, given that at least initially it was proposed that the project would be taken forward by the Programme Director for Climate Change.

(The meeting resumed in public session.)

40. **Update of work with Stratford-on-Avon District Council**

The Committee considered a report from the Chief Executive which set out the progress of the work being done to enable effective Scrutiny of the proposals.

The report reiterated the vision agreed by both Councils and the reasons for undertaking this approach, set out work done to date, the next steps; the key benefits, and the key milestones and intended overall outcome.

Both Councils at their respective Full Councils agreed the following vision: *"To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford on Avon District Council and Warwick District Council by 1st April 2024."*

Reasons for undertaking this approach:

- Both Councils had significant financial pressures.
- Both Councils wished to continue to provide valued services to residents/businesses/local communities and improve them if possible.
- The two Councils had a good track record of partnership.
- There was a shared economic geography between the two Councils.
- There was a shared sense of community between the two Councils' areas.
- There was a very strong political relationship in place.
- The two Councils were within the same County Council area.

Work done to date (including ongoing work) included:

- Deloitte Report commissioned and agreed by both setting out the high-level business case for the creation of a single South Warwickshire Council.
- Vision stated above agreed by both Councils.
- The Cabinet Portfolios for both Councils were fully aligned.
- Jointly Tendering for the Refuse and Recycling Contracts.
- Developing jointly a South Warwickshire Local Plan.
- Developing a joint Regulatory Services Enforcement Policy.
- Developing a South Warwickshire Economic Strategy.
- Agreed a shared set of ambitions regarding the Climate Emergency.
- Joint Staff/HR policies agreed.
- Agreed and have appointed a Transformation Programme Manager and Programme Support Officer.
- Established a governance regime via the creation of an officer Programme Board (which meets weekly) and the Councillor led Joint Arrangements Steering Group (Reports and Notes of meeting available on the South Warwickshire Together Hub).
- Work on due diligence financially undertaken by LGA consultant and reported to JASG.
- Regular meetings with Unison (both branches) on a fortnightly basis.
- Communication Hub for all Staff and Councillors of both Councils established – South Warwickshire Together Hub.
- Leaders and CEOs meet fortnightly.
- Joint Management Team met weekly (started from 2 August with Head of Place and Economy appointed on 4 August – (2 vacancies immediately saved).
- Discussions had started with the Government regarding the creation of a single South Warwickshire Council.
- Agreed paper for public consultation proposals.
- Sharing experience and likewise gaining experience from joint work of other Councils including those who had merged and those who were also considering the same step.
- Update presentations given to Councillors, members of staff and Service Managers.
- Scrutiny Chairs of SDC/WDC had met.
- Start of public consultation on proposal from 6 September to 24 October – 600 representatives of the community directly surveyed; open form available for all to make their comments; stakeholders notified and asked for comments; focus groups for local residents; Parish/Town Council; community/voluntary; business.

The next steps included the following:

- Programme of Service Integration was subject to a separate report that would be considered by WDC's Cabinet on 23 September and SDC's Cabinet in early October.
- Business Case for Joint Legal Service integration was subject to a separate report that would be considered by WDC's Cabinet on 23 September and SDC's Cabinet in early October.
- Joint Policy for Enforcement and Business Regulation was subject to a separate report that would be considered by WDC's Cabinet on 23 September and SDC's Cabinet in early October.
- Both Councils to consider the decision to make a formal application to merge the two organisations to create a single South Warwickshire Council – on Monday 13 December.

The expected benefits included:

- Delivery of significant net savings as envisaged in the Medium-Term Financial Strategy.
- Enhanced partnership working.
- Increased presence, influence, and strategic voice.
- Increased service resilience.
- Improved customer experience – residents and business.
- Strengthened workforce opportunities arising from a larger workforce.

The key milestones were:

- Agreement to the business case to be submitted to Government on 13 December 2021.
- Approval granted by the Secretary of State within a year of the submission date.
- Shadow Council in existence from April 2023 – elections inc. those of Parish deferred for a year.
- All services merged by March 2024 having started the process in November 2021.
- New Council comes into life on 1 April 2024.
- Elections to new Council in May 2024.

The overall outcome would be that a new South Warwickshire Council which had a sustainable financial foundation and so was able to deliver better, transformed, and relevant services for the residents, businesses, and communities of the area.

Members were of the opinion that there might be concerns around democratic erosion as a result of fewer Councillors in a larger political geography. There might be areas of population that felt they might lose their sense of control / accountability for their neighbourhood. There might be a change in profile of what Councillors' roles were, with a much greater responsibility and larger populations to work with as a result of the possible merger. There were big differences in the distribution of populations between the two Councils, particularly with the distribution of people in the rural area of Stratford, and the size of Towns within both Districts. A concern was that this might alter the parish councils somewhat, or if rural areas were going to find themselves with different responsibilities.

In response, the Chief Executive advised that:

- There were differences in Parish/Town Councils in the two Districts: for example, parish/town councils in the Stratford area were also the burial authorities, whereas in the Warwick area WDC was, which placed an added workload for parishes in the Stratford area. The decision for town/parish councils should be collective in terms of the way they wanted to go forward.
- There was a difference in Council Tax raised for each authority; out of every pound spent, 8 pence went to SDC, and in WDC, it was 9 pence. Parishes in SDC received 3 pence, but in WDC, only 2 pence. In some cases, the precept for parish/town councils was larger than the precept for the District, predominantly in Market Towns. The possible merger would not necessarily force changes, but might open up discussion points, for example if there was a proposition about greater devolution

of activity to town/parish councils if they wanted it. That would be a choice, however, not a legal consequence of the possible merger.

The Chairman suggested that it might be useful to have set out what was a matter of policy and what was a matter of law, in terms of powers and funding that could potentially be devolved or delegated to town and parish councils.

In response, Councillor Hales advised that there was a consultation exercise currently taking place with town/parish councils, and those views would be considered when they came forward. The Council needed to listen to what they wanted and if that process was done correctly, town/parish councils could be empowered across both areas, but it would also be beneficial to see some of the concerns they had.

Resolved that contents of the report and appendices are noted.

41. **Review of the Work Programme and Forward Plan & Comments from the Cabinet**

The Committee considered a report from Democratic Services that informed the Committee of its work programme for the 2020/2021 Municipal Year, as set out at Appendix 1 to the report, and of the current Forward Plan.

The Chair advised the Committee that there had been a discussion between him and the Chair of Overview and Scrutiny, and the Chair of the Scrutiny Committee at SDC, along with senior officers about the process leading to the vote on the possible merger on 13 December. The suggestion was at the point when the agenda for the December Cabinet meeting was published, there should be a briefing for all Councillors on the paper associated with the merger, so that Councillors could ask questions and understand it thoroughly, though this would not be the same as a scrutiny meeting. It was proposed that an informal group of the three scrutiny chairs and officers should meet prior to the paper being considered by the Scrutiny Committees, to discuss issues of common interest with the outcome being fed back to the Scrutiny Committees at their December meeting.

Resolved that the report be noted.

(The meeting ended at 7.38pm)

CHAIR
3 November 2021

Agenda Item No 4
Finance and Audit Scrutiny Committee
3rd November 2021

Title: Treasury Management Activity Report for period 1 April 2021 to 30 September 2021

Lead Officer: Karen Allison (01926-456334)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: All

Summary

This report details the Council's Treasury Management performance for the period 1 April 2021 to 30 September 2021.

Recommendation(s)

(1) That Finance and Audit Scrutiny Committee notes the contents of this report.

(2) That Council approve the amendments to the Authorised Lending List for the Debt Managent Office and Milverton Homes Ltd.

(3) That Council notes the breach of the Council's Authorised Lending List in August 2021 in order to facilitate the housing Joint Venture.

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1 Background/Information

1.1 The Council's 2021/22 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis in accordance with the Treasury Management Code of Practice.

1.2 LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). Therefore the use of LIBID for benchmarking purposes will also change.

2 Alternative Options available to Finance and Audit Committee

2.1 This report retrospectively looks at what has happened during the last six months and is, therefore, a statement of fact.

3 Consultation and Member's comments

3.1 Not Applicable.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 None directly arising from the Council's Treasury Management activity.

4.2 Financial

4.2.1 Treasury Management can have a significant impact on Warwick District Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security of the capital.

4.2.2 Warwick District Council is reliant on interest received to help fund the services it provides. The latest estimate for investment interest in 2021/22 will be revised during the budget setting process and is not available in time for this report so for this report it remains the same as the original. Also the actual 2020/21 is based on the revised figure in the Treasury Management Strategy 2021/22.

	Latest 2021/22 Budget £'000	**Original 2021/22 Budget £'000**	**Actual 2020/21 Budget £'000**
Gross Investment Interest	649	649	602
less HRA allocation	-123.2	-123.2	-154.5
Net interest to General Fund	**525.8**	**525.8**	**447.2**

4.2.3 The divestment from the Council's two corporate equity funds, as part of its Climate Change Emergency targets, during September 2021 has realised actual capital gains of £405,593, taking the opportunity when it was believed that equities were near an optimum 'high' to sell at a favourable time. This can be compared with the position at 31 March 2021 when there would have been a loss of £94,585 and at 31 March 2020 when the loss would have been over £1.4m.

4.2.4 There will be a reduction in investment interest as a consequence, the reduction in dividends for 2021/22 being around £40,000. The reduction for 2022/23 would be in the order of £150,000 but this will be countered by (a) looking for an alternative investment opportunity and (b) lower borrowing costs by utillising the £6m as 'internal borrowing' in place of external PWLB loans, due to the lower carrying costs. It is estimated this could reduce the net loss of interest by around 2/3rds in the short term.

4.2.5 On 27 August 2021 the Council entered into a housing Joint Venture (JV) arrangement, advancing £50m to the JV using a series of PWLB loans of between 3.5 and 5.5 years, with the repayments matching those from the JV. The General Fund is paying the interest costs on the four PWLB loans but will be receiving interest receipts from the JV, creating a net income. The net interest the Council will receive is approximately £8.7m.

4.2.6 The £50m of PWLB loans were taken on 5 August 2021, at a stage when the legal negotiations appeared to be nearing finalisation. When it was necessary to defer the payment of these loans to the JV until the legal agreement was completed, the £50m had to be invested short-term and on a rolling-basis. This scenario had not been anticipated in the Council's 2021/22 Treasury Management Strategy and the associated Authorised Lending List, so it was essential to find the safest possible 'haven' for these funds. Consequently, the funds were placed with the Debt Management Office (DMO), the other side of HM Treasury to the PWLB, meaning that this UK Government-backed organisation is extremely 'safe'.

4.2.7 While the Treasury Management Strategy for 2021/22 had included the loans to the JV, it did not anticipate that the Council would need to hold the £50m beyond a working day. By lending short-term to the DMO the Council have technically breached its lending limit and this report is formally asking for the Authorised Lending List to be amended to allow for unlimited lending to the DMO, given its status as a Government organisation.

4.2.8 A further £10m is likely to be borrowed by the JV in April 2022. It is expected that this would be borrowed from the PWLB and passed on to the JV within a working day.

4.2.9 Part of the creation of the JV and its objectives was the establishment of the Council's stand-alone housing company, Milverton Homes Ltd (MH), which is one to the three parties in the JV, to enable the provision of social housing not possible by the Housing Revenue Account. In order for MH to have operational cash balances until it begins to generate rent income streams, the Council has invested £200,000 in MH as a share issue. This is to be treated as a Treasury Management investment, but due to the length of this investment being beyond 12 months and to a non-rated organisation, albeit a Council related company, this £200,000 is a 'non-specified' investment within the Authorised Lending List. This amount was paid to MH on 23 September.

4.2.10 Recommendation 2 is to approve, retrospectively, these new counterparties and their limits.

4.3 **Council Plan**

4.3.1 The treasury management activity in this report applies to Warwick District Council, in accordance with the statutory framework and local Treasury Management Strategy and Treasury Management Practices.

4.3.2 The Treasury Management function enables the Council to meet its vision, primarily through having suitably qualified and experienced staff deliver the service in accordance with the Council's Treasury Management Practices and the national framework that local government operates.

4.3.3 **People - Effective Staff –**All staff are properly trained; All staff have the appropriate tools; All staff are engaged, empowered, and supported and that the right people are in the right job with the right skills and right behaviours. Staff have access to the Council's treasury management advisers, the Link Group, who provide additional support and training to staff and members.

4.3.4 **Services - Maintain or Improve Services** – Treasury Management indirectly helps with the following intended outcomes: Focusing on our customers' needs; Continuously improve our processes and Increase the digital provision of services.

4.3.5 **Money - Firm Financial Footing over the Longer Term** - Treasury Management is a fundamental part of effective both short and long term money management and indirectly aids the following intended outcomes: Better return/use of our assets; Full Cost accounting; Continued cost management; Maximise income earning opportunities and Seek best value for money.

4.4 **Environmental/Climate Change Implications**

4.4.1 The recommendation to divest from direct ownership of fossil fuels companies or commingled funds that include fossil fuel public equities by no later than 2025, in pursuance of the Council's Climate Emergency Declaration was realised ahead of target. Both Royal London and Columbia Threadneedle Equity funds were divested on 20 to 21 September 2021, with notice being given on 15 September. Further details are included in paragraphs 4.2.3 and 4.2.4.

4.5 **Analysis of the effects on Equality—not applicable**

4.6 **Data Protection**

4.6.1 Treasury Management activity is compliant with Data Protection Act.

4.7 **Health and Wellbeing-not applicable**

5 Risk Assessment

5.1 Continued uncertainty in the aftermath of the 2008 financial crisis, brought into even sharper focus by the COVID-19 pandemic, has promoted a cautious approach, whereby investments are now dominated by low counterparty risk considerations, with low returns compared to borrowing rates.

Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the **SLY principle:** Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).

It is accepted that longer duration investments increase the security risk within the portfolio, however this is inevitable to achieve the best possible return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.

In addition to credit ratings themselves, the Council will also have regard to any ratings watch notices issued by the three agencies as well as articles in the Financial press, market data and intelligence from Link Asset Services benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by Link Asset Services – Treasury Solutions to determine the suitability of investing with counterparties.

Corporate Bonds and Floating Rate Notes (FRNs) – when used -introduce counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRNs with a strong Fitch credit rating, in this case 'A' and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.

Covered Bonds also reduce risk in the portfolio as the bond is 'backed' by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

Corporate Equity Funds can help to ensure capital security in real (as opposed to nominal) terms, but they consequently introduce the risk of capital loss due to market price fluctuations, as illustrated in paragraph 4.2.3. This is mitigated by ensuring the investments are held for a sufficiently long period. In addition, mitigation is achieved by having a spread of funds with differing risk appetites. 'Stop loss' limits (whereby if the value in the fund goes below a defined limit, the holdings in that fund will be sold) reduce risk by limiting losses. Finally, a volatility reserve had been created, which could have been released to revenue either to cover or at least mitigate the impact of any deficits.

6 Conclusion/Reasons for the Recommendation

6.1 As outlined in paragraph 4.2.7, the Council has breached a lending limit and due to the complexity and timescales of the Joint Venture negotiations it was not possible to seek Council approval for a change in lending limits before investing with the Debt Management Office (the DMO, also referred to as the Debt Management Agency Deposit Facility - DMADF). The Chief Executive and

Portfolio Holder approved this action, which was needed to enable this transaction to proceed, and which had been approved by the Council. Recommendation 3 is formal recognition of this breach.

6.2 Recommendation 2 will allow the Council to deposit, retrospectively, with the DMO with no upper limit.

6.3 This recommendation also covers the investment in Milverton Homes outlined in paragraph 4.2.9.

Background papers:

Appendix A - Interest Rate Environment, Investment Performance, Counterparty Credit Ratings, Benchmarking, Borrowing, Prudential Indicators and 2022/23 Treasury Management Strategy.

Appendix B – Investment Performance Analysis

Appendix C – Counterparty Rating at Time of Investment

Appendix D – Standard lending List @ October 2021

Appendix E - Link Asset Services Commentary on the Current Economic Background

Supporting documents:

None.

Appendix A

1. Interest Rate Environment

The major influence on the Council's investments is the Bank Rate. The Council uses Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The latest forecast on 29th September is below. There are now three increases in Bank Rate, to end at 0.75%.

Qtr Ending	Sept 2021	Dec 2021	Mar 2022	June 2022	Sept 2022	Dec 2022	Mar 2023	Jun 2023	Sept 2023	Dec 2023	Mar 2024
Current Forecast as at Sept 2021:											
Bank Rate %	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
Forecast as at January 2021 (when Original Budgets were set)**:**											
Bank Rate %	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

The forecast as at January 2021 is shown for comparison purposes as this forecast was used in calculating the original budgets.

The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2020/21 was approved by Council on 20 May 2020. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions' credit ratings, to ensure that it does not lend to those institutions identified as being at risk. A copy of the current lending list is shown as Appendix D.

2. Investment Performance

2.1 Core Investments

During 2021/22 to date, the in-house function has invested core cash funds in fixed term deposits and notice accounts in the Money Markets. Table 1 in Appendix B illustrates the performance of the in-house function during this first half year for each category normally invested in.

All the LIBID rates in the table and referred to below include a margin of 0.0625% to give the Benchmark.

During April to September five core investments matured. In all the periods, the Council out-performed against the Benchmark.

Given that Bank Rate remains at 0.10% and counterparty security is of the utmost importance over return of yield, the level of performance achieved in this first half year continues to be satisfactory within the new economic reality.

2.2 **Cash Flow Derived Funds & Accounts**

The in-house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Performance in this period is shown in table 2 of Appendix B.

During the half year, the Council's cash flow investments were mainly into the Money Market Funds.

As with the Money Market investments, the LIBID benchmark which in this case is the 7-day rate, has been increased by a margin of 0.0625% and it can be seen from table 2 in Appendix B that the total interest out-performance of the benchmark remains satisfactory.

The Council continued to concentrate its investments in the highest performing funds: Federated (variable and low volatility net asset value funds), Aberdeen Standard, Invesco, Federated and Royal London Cash Plus.

During the first half of 2021/22 the Council earned £2,800 realised interest on its Money Market Fund investments at an average rate of 0.02% and the average balance in the funds during the period was £27,839,200.

2.3 **Call Accounts**

As with the Money Market investments the 7-day LIBID benchmark is increased by a margin of 0.0625%.

The Council earned £101 interest on its call accounts in the first half year at an average rate of 0.01% and the average balance in the funds during the period was £2,709,170.

The following table brings together the investments made in the various investment vehicles during the first half year to give an overall picture of the investment return:

Vehicle	Return (Annualised) £'000	Benchmark (Annualised) £'000	Performance £'000
Money Markets £	39	10	29
Money Market Funds	3	(2)	5
Call A/c's £	-	(1)	1
Total £	**42**	**7**	**35**

It should be noted that the total investment return of £42,000 shown in the table above will not all be received in 2021/22 as it is an annualised figure and will include interest relating to 2020/21 and 2022/23.

An analysis of the overall in-house investments held by the Council at the end of September 2021 is shown in the following table:

(The balance at 31 March 2021 is shown for comparison)

Type of Investment	Closing Balance 30 Sept 2021 £'000	Closing Balance 31 March 2021 £'000
Money Markets incl. CD's & Bonds	31,592	33,000
Money Market Funds	34,195	12,334
Business Reserve Accounts incl. Call Accounts	5,000	2,003
Total In House Investments	**70,787**	**47,337**
Corporate Equity Funds	0	6,000
Total Investments	**70,787**	**53,337**

2.4 **Corporate Equity Funds**

Columbia Threadneedle and Royal London Asset Management equity funds were both given notice to seel the Council's holdings on 15 September 2021. This was as a result of the movement of the fund's share price in the period leading up to this date. It was deemed to be the optimal time to close the funds bearing in mind the Council's Climate Change Emergency Declarartion.

Fund	Value of Fund 15 Sept 2021 £'000	Value of Fund 31 March 2021 £'000	Variation in 1st half year to closure £'000
Royal London UK Equity Fund	3,597	3,284	313
Columbia Threadneedle UK Equity Income Fund	3,657	3,357	300
TOTAL	**7,255**	**6,641**	**614**

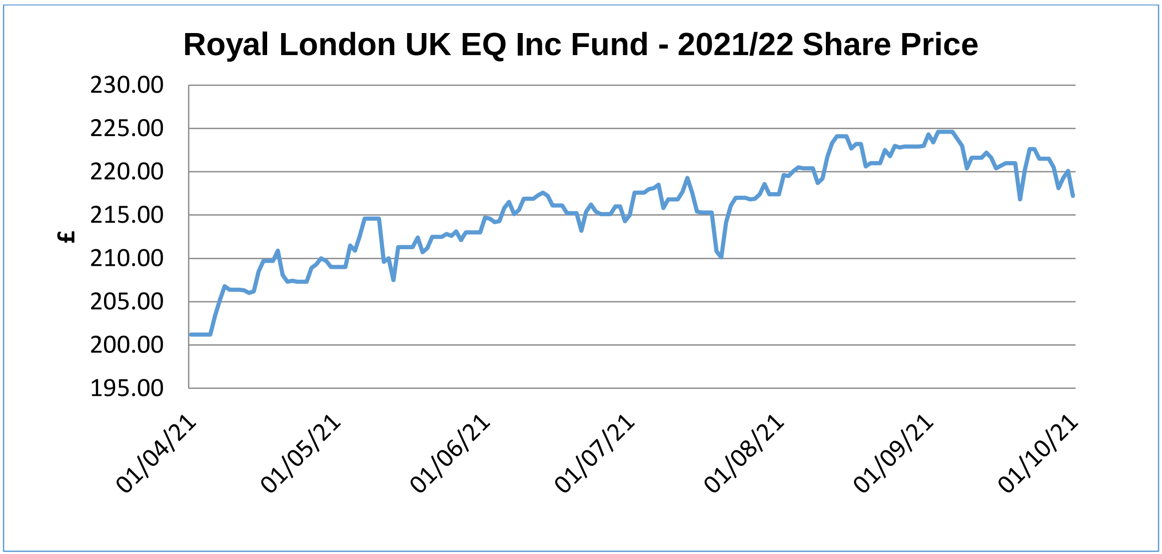
It can be seen from the table above that both funds had a positive variation in value from 1st April to 15th September 2021, despite volatility in the markets.

The table below gives a breakdown of income and capital elements of growth

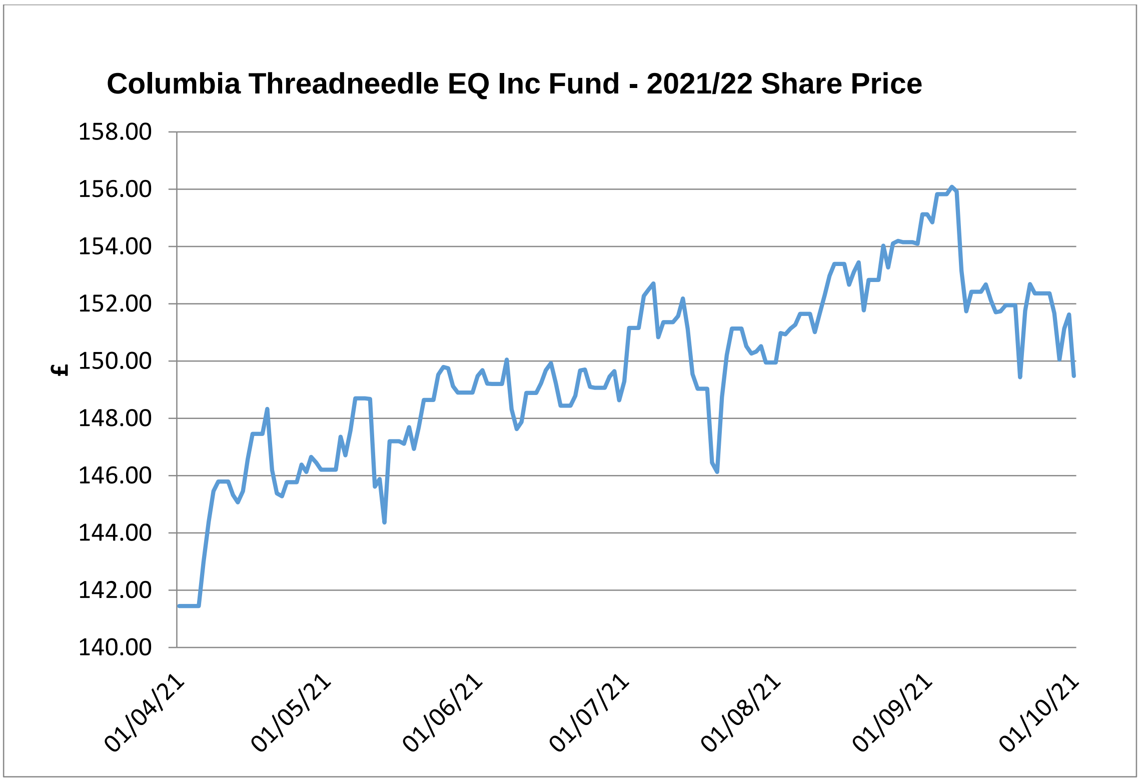
Period	Capital Element	Income Element	Total growth	Capital Element	Income Element	Total growth
Royal London Asset Management	**£'000s**	**£'000s**	**£'000s**	**%**	**%**	**%**
3 months (April 2021 to June 2021)	185	28.8	213.8	5.3	0.8	6.1
3 months (July 2021 to 15th September 2021)	67.9	31.7	99.6	1.9	0.9	2.8
6 months (April 2021 to 15th September 2021)	252.9	60.5	313.4	7	1.7	8.7
Since inception 04.04.2017	58.8	538.6	597.4	2	18	20
Columbia Threadneedle--						
3 months (April 2021 to June 2021)	190	19.2	215.2	5.56	0.53	6.09
3 months (July 2021 to 15th September 2021)	93.3	35.3	118.4	2.62	0.97	3.59
6 months (April 2021 to 15th September 2021)	289.8	54.6	314.9	8.63	1.49	10.12
Since inception 13.04.2017	657.3	490.8	1,148.1	21.9	16.36	38.26

During the quarter April to June 2021 Royal London UK Equity Fund was ahead of both the FTSE All-Share index and competitors. The financials sector was a key driver of performance, with holdings in Paragon, Investec and Brewin Dolphin noteworthy contributors. The holdings in the engineering company IMI and the homewares retailer Dunelm both performed well after releasing strong trading statements and the water utility Pennon also performed well after announcing a large return of capital to shareholders alongside results and the acquisition of Bristol Water.

**At the time of writing this report the second quarter factsheet wasn't available. However I can report that for July and September the fund was trailing the FTSE All-Share and placed 55th percentile in its peer group. For August it outperformed the FTSE All-Share and was placed 37th percentile of its peer group.



Columbia Threadneedle Equity Fund outperformed its peer group in April, June, August and September compared to trailing in May and July. Against the FTSE All-Share, it outperformed in April, June and July but underperformed in May, August and September. Positive contributors were WM Morrison, M&S, Rentokil, Morgan Sindall, AstraZenteca, Oxford Instruments and Electrocomponents. Detractors included BT, ITV, Imperial Brands, Pearson, Royal Dutch Shell, Phoenix Group and Tate & Lyle.



Counterparty Credit Ratings

The investments made in the second half year and the long and short term credit ratings applicable to the counterparty at the point at which the investment was made is shown in Appendix C.

All investments made within the second half year were in accordance with the Council's credit rating criteria.

Also attached for the Committee's information as Appendix D is the Council's current 2021/22 Counterparty lending list.

Benchmarking

With regard to the Link Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and the results are published quarterly. Analysis of the results for the first quarter show that the Council's Weighted Average Rate of Return (WARoR) on its investments at 0.12% was inline with Link's model portfolio.

**The results for the September quarter was unavailable at the time of writing this report.

Borrowing

During the half year, there was long term PWLB borrowing activity of £50 million (four loans of varying terms and amounts) alongside paying the first half year interest instalment on the £136.157 million PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383 million and also interest of £110,400 on the £12 million PWLB borrowing taken out in September 2019.

During the half year it was not necessary to undertake any Money Market borrowing to fund cash flow deficits, with any deficits being managed within the Council's £50,000 overdraft facility. The interest rate on this facility is 2.93% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the half year there was no overdraft interest.

Prudential Indicators

The 2021/22 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

2022/23 Treasury Management Strategy

Work will commence in the current quarter on preparing the 2022/23 Treasury Management and Investment Strategies.

Whilst security of the funds will be paramount, it is intended that the Council will continue to achieve the best returns possible but within Environment, Social and Governance ("ESG" – aka "ethical") criteria, where possible.

Appendix B

Investment Performance Analysis

Table 1 – Summary Performance

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Up to 7 days			
April to September 2021	0.01%	-0.02%	0.03%
Interest earned 1st half year £	301	-614	915
Over 7 days & Up to 3 months			
April to September 2021	0.16%	0.02%	0.15%
Interest earned 1st half year £	7,864	748	7,116
Over 3 months & Up to 6 months			
April to September 2021	0.23%	0.04%	0.19%
Interest earned 1st half year £	10,496	1,958	8,538
Over 6 months to 365 days			
No Investments			
1 year and over			
April to September 2021	0.35%	0.13%	0.22%
Interest earned 1st half year £	20,700	7,798	12,902
TOTAL INTEREST FIRST HALF YEAR £	**39,361**	**9,890**	**29,471**

Table 2 - Cash Flow Derived Funds & Accounts

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Goldman Sachs (CNAV)			
April to September 2021	0.00%	-0.02%	0.02%
Interest earned 1st half year £	0	-292	292
Invesco (CNAV)			
April to September 2021	0.01%	-0.02%	0.03%
Interest earned 1st half year £	401	-829	1,229
Aberdeen Standard (LVNAV)			
April to September 2021	0.01%	-0.02%	0.03%
Interest earned 1st half year £	466	-950	1,417
Federated Constant Net Asset Value (CNAV)			
April to September 2021	0.02%	-0.02%	0.05%
Interest earned 1st half year £	176	-144	320
Federated Cash Plus Account (VNAV)			
April to September 2021	0.04%	-0.02%	0.06%
Interest earned 1st half year £	573	0	573
Royal London Cash Plus Account (VNAV)			
April to September 2021	0.04%	-0.02%	0.06%
Interest earned 1st half year £	1,187	317	870
TOTAL INTEREST FIRST HALF YEAR £	**2,803**	**-1,898**	**4,701**

Table 3 – Call Accounts

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
HSBC Business Deposit Account			
April to September 2020	0.00%	-0.02%	0.02%
Interest earned 1st half year £	0	-275	275
Svenska Handelsbanken Account			
April to September 2020	0.01%	-0.02%	0.03%
Interest earned 1st half year £	101	-207	308
TOTAL INTEREST FIRST HALF YEAR £	**101**	**-482**	**583**

Appendix C

Counterparty Rating at Time of Investment

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
WDC Minimum	(Fitch)			
Building Societies		**n/a**	**n/a**	
National Counties	£1,000,000	n/a	n/a	92
WDC Minimum	(Fitch)	**A**	**n/a**	
Banks				
Al Rayan	£3,000,000	A+	F1	92
Al Rayan	£3,000,000	A+	F1	123
Al Rayan	£3,000,000	A+	F1	365
Standard Chartered	£3,000,000	A+	F1	92
Standard Chartered	£2,500,000	A+	F1	92
National Bank Of Kuwait (International) plc	£3,000,000	AA-	F1+	365
Qatar National Bank	£3,000,000	A+	F1	92
Qatar National Bank	£4,000,000	A+	F1	92
Local Authority		**n/a**	**n/a**	
Thurrock Council	£3,000,000	n/a	n/a	92
Government		**n/a**	**n/a**	
Debt Management Office	£50,000,000	n/a	n/a	5
Debt Management Office	£50,000,000	n/a	n/a	1
Debt Management Office	£50,000,000	n/a	n/a	1
Debt Management Office	£50,000,000	n/a	n/a	5
Debt Management Office	£50,000,000	n/a	n/a	3
Debt Management Office	£50,000,000	n/a	n/a	4
Debt Management Office	£50,000,000	n/a	n/a	3
Money Market Funds (Investment amount is average principal in fund during half year)				
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAm or Moodys AAA & Volatility Rating MR1+			

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
Goldman Sachs	£2,858,180	Fund retained its rating throughout half year		liquid
Invesco	£8,107,585	Fund retained its rating throughout half year		liquid
Federated	£4,472,649	Fund retained its rating throughout half year		liquid
Aberdeen Standard	£9,296,078	Fund retained its rating throughout half year		liquid
Royal London Asset Management	£3,104,664	Fund retained its rating throughout half year		liquid
Call Accounts				
WDC Minimum	(Fitch)	**A+**		**F1**
HSBC Business Deposit Account	£2,688,072	Counterparty retained its rating throughout period AA- long term,F1+ short term.		liquid
Svenska Handelsbanken	£2,021,098	Counterparty retained its rating throughout period of AA- long term, F1+ short term,		liquid

APPENDIX D

Warwick District Council Standard Lending List as at October 2021

Banks

Investments up to 365 days (3 months for explicitly guaranteed subsidiaries)

Investment / Counterparty type:	S/term	L/term minimum	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£8m AA- & above, £7m if L/term rating minimum A+,£5m if L/Term rating A.	365 days	In-House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	365 days	In-House +Advice & EFM*
Bank subsidiaries of UK Banks	Unrated	Unrated	Explicit Parent Guarantee	£5m	3 months	In-House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's except where the Repo collateral is more highly credit rated than the counterparty in which case the counterparty limit is increased by £3m with a maximum in Repo's of £3m.

Counterparty Limit is also the Group Limit where investments are with different but related institutions.

Investments over 365 days

Investment/ Counterparty type:	S/term	L/term Min	Security/ Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£8m AA- & above, £7m if L/term rating minimum A+,£5m if L/Term rating A.	2 years	In-House +Advice & EFM*

Investment/ Counterparty type:	S/term	L/term Min	Security/ Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	2 years	In-House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's.

Counterparty limit is also the Group Limit where investments are with different but related institutions.

£15m overall limit for Corporate Bond / Property Funds & £20m limit for all counterparties.

£20m over 365 day limit only applies to those investments where at 1 April the remaining term is greater than 365 days. Any over 365 day investment with 365 days or less to maturity at 1 April is deemed to be short term.

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
AUSTRALIA (AAA)		
Australia & New Zealand Banking Group Ltd		
Commonwealth Bank of Australia		
Macquarie Bank Ltd		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale) Clydesdale Bank*	Yes
Westpac Banking Corporation		
BELGIUM (AA-)		
BNP Paribas Fortis		
KBC Bank NV		
CANADA (AA+)		
Bank of Montreal	Bank of Montreal Ireland plc*	
Bank of Nova Scotia	Scotia Bank* Scotia Bank (Ireland) Ltd* Scotia Bank Capital Trust (United States)*	

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
	Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada	Royal Trust Company* Royal Bank of Canada Europe* Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
DENMARK (AAA)		
Danske Bank		
FINLAND (AA+)		
Nordea Bank Abp	Nordea Bank Denmark* Nordea Bank Norge* Nordea Bank North America*	Yes
FRANCE (AA)		
BNP Paribas		
Credit Agricole Corporate & Investment Bank		
Credit Industriel et Commercial		
Credit Agricole SA		
GERMANY (AAA)		
DZ Bank AG (Deutsche Zentral-genossenscaftsbank)		
Landesbanken Hessen-Thueringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
HONG KONG (AA+) –		

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
The Hong Kong & Shanghai Banking Corporation Ltd		
Clearstream Banking		
NETHERLANDS (AAA)		
ABN AMRO Bank N.V		
Bank Nederlandse Gemeenten		
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)		
ING Bank NV		
QATAR (AA-)		
Qatar National Bank		
SINGAPORE (AAA)		
DBS Bank Ltd	DBS Bank (Hong Kong)*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
SWEDEN (AAA)		
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadtshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB		
SWITZERLAND (AAA)		
Credit Suisse AG		
UBS AG		
UNITED ARAB EMIRATES (AA)		
First Abu Dhabi Bank PJSC		
UNITED KINGDOM (AA-)		
Abbey National Treasury Services plc		
Al Rayan Bank Plc		
Barclays Bank UK plc(RFB)		

BANK NAME	**OTHER BANKS IN GROUP** **(*= Not on list but included for information re potential problems etc.)**	**GROUP LIMIT APPLIES**
Barclays Bank plc(NRFB)		
Goldman Sachs International Bank		
Handelsbanken Plc		
HSBC Bank plc (NRFB)	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	Yes
HSBC UK Bank Plc (RFB)		
Lloyds Banking Group :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
Lloyds Bank plc (RFB)		
National Bank of Kuwait (International) plc		
National Westminster Bank PLC (RFB)		
NatWest Markets Plc (NRFB)		
Royal Bank Of Scotland (RFB)		
Santander UK plc		
Standard Chartered Bank		
Sumitomo Mitsui Banking Corporation Europe Ltd		
UNITED STATES OF AMERICA (AAA)		
Bank Of America		
Bank of New York Mellon	Bank of New York (Delaware USA)*	

BANK NAME	OTHER BANKS IN GROUP (*= Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
	Bank of New York (New York USA)* Bank of New York Trust Company*	
Citibank		
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

Building Societies

Investments up to 365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Building Societies - category A • Nationwide	F1	A	UK Sovereign	£4m	365 days
Building Societies - category B • Coventry • Leeds • Yorkshire • Skipton	F1		UK Sovereign	£2m	365 days
Building societies – assets > £500m (Category C) • Principality • West Bromwich				£1m	3 months

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
• Newcastle (Fitch removed ratings 7.9.16) • Nottingham • Cumberland • National Counties • Progressive • Cambridge • Newbury • Leek United • Monmouthshire • Saffron • Furness • Hinckley & Rugby • Ipswich • Darlington • Marsden					

Investments over 365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Building societies Category A & B (see above)	F1	A	UK Sovereign	£1m	2 years

NB. Group limit of £8m.

Other Counterparties

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
DMADF / DMO	n/a	n/a	UK Sovereign	Unlimited	365 days
Milverton Homes **WDC 100% subsidiary	n/a	n/a	n/a	£0.5m	Not defined
UK Govt. (includes Gilt Edged Securities & Treasury Bills), Local Authorities / Public Corporations /Nationalised Industries.	n/a	n/a	High viability/support	£9m	365 days
Money Market Fund(CNAV)	AAAm / Aaa-mf/AAAmmf			£10m	liquid
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1			£6m	liquid

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Corporate bonds - category 1		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Corporate bonds - category 2		A		£9m	2 years
Corporate bonds - category 3		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Covered bonds - category 1		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Covered bonds - category 2		A		£9m	2 years
Covered bonds - category 3		A	UK Sovereign	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Bonds - Supranational / Multi Lateral Development Banks European Community European Investment Bank African Development Bank Asian Development Bank Council of Europe Development Bank European Bank for Reconstruction & Development Inter-American Development Bank International Bank of Reconstruction & Development	AAA / Govt Guarantee			£5m	365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter-party	Max. Maturity period
Or any other Supranational/Multi-Lateral Development Bank meeting criteria.					
Floating Rate Notes - category 1		A		£4m	364 days
		A+		£6m	
		AA - & ABOVE		£7m	
Floating Rate Notes - category 2		A		£9m	364 days
Floating Rate Notes - category 3		A		£4m	364 days
		A+		£5m	
		AA - & ABOVE		£6m	
Eligible Bank Bills	n/a		Determined by EFM	£5m	364 days
Sterling Securities guaranteed by HM Government	n/a		UK Sovereign	£9m	Not defined
Local Authorities	n/a	Viability/support= High £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£9m	5 years
Corporate Equity Funds - low risk (UK Equity Income Funds)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£4m	10 years
Corporate Equity Funds - medium risk (UK Capital Growth Funds)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£2m	10 years
Corporate Bond Funds	BBB	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£5m	10 years
Pooled property fund eg: REITS	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.			£5m	10 years

<table>
<tr><th colspan="2">Investment/ Counterparty type:</th><th>S/term</th><th>L/term</th><th>Security/ Min credit rating</th><th>Max limit per counter-party</th><th>Max. Maturity period</th></tr>
<tr><td>CCLA property funds</td><td>n/a</td><td colspan="3">Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT.

£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.</td><td>£5m</td><td>10 years</td></tr>
</table>

<u>Categories for Covered Bonds, Corporate Bonds (must be Senior Unsecured), Floating Rate Notes:</u>

Category 1: Issued by private sector Financial Institutions

Category 2: Issued by Financial institutions wholly owned or part owned by the UK Government

Category 3: Issued by Corporates

Appendix E

Link Asset Services Commentary on the Current Economic Background

MPC meeting 24.9.21

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
    2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
    3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.

4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.
- **US.** During the first part of the year, US President Biden's, and the Democratic party's, determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

  1. A fast vaccination programme has enabled a rapid opening up of the economy.
  2. The economy has been growing strongly during 2021.
  3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
  4. And the Fed was still providing stimulus through monthly QE purchases.

  These factors could cause an excess of demand in the economy which could then unleash strong inflationary pressures. This could then force the Fed to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that in the September Fed meeting, Fed members again moved forward their expectation of when the first increases in the Fed rate will occur. In addition, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of stronger jobs growth figures could be enough to meet the threshold set by the Fed of "substantial further progress towards maximum employment" for a first increase in the Fed rate.

  A further concern in financial markets is when will the Fed end QE purchases of treasuries and how will they gradually wind them down. These purchases are currently acting as a downward pressure on treasury yields. In his late August speech at the Jackson Hole conference, Fed Chair Powell implied that the central bank plans to start tapering its asset purchases before the end of this year. But the plan is conditional on continued improvement in the labour market, which the August employment report suggests is proceeding more slowly than the Fed anticipated. That may mean that any announcement of tapering is pushed back, possibly even into early 2022.

  As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases are likely to be faster and stronger than Bank Rate increases in the UK. Nonetheless, any upward pressure on treasury yields could put upward pressure on UK gilt yields too.

- There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down.

How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on

- **EU.** The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

- **German** general election. With the CDU/CSU and SDP both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SDP-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **Japan.** 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

- **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **Supply shortages**. The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Finance and Audit Scrutiny Committee 3rd November 2021
Title of report	Treasury Management Activity Report for period 1 April 2021 to 30 September 2021

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)		N/A
Portfolio Holder WDC & SDC *	19/10/21	Cllr Richard Hales
Financial Services *	19/10/21	Karen Allison/Richard Wilson
Legal Services *		N/A
Other Services		N/A
Chief Executive(s)	19/10/21	Tony Perks (Deputy Chief Executive)
Head of Service(s)	18/10/21	Mike Snow
Section 151 Officer	18/10/21	Mike Snow
Monitoring Officer	19/10/21	Tony Perks
CMT (WDC)		N/A
Leadership Co-ordination Group (WDC)		N/A
Other organisations		N/A

Final decision by this Committee or rec to another Ctte/Council?		Final decision
Contrary to Policy/Budget framework		No/~~Yes~~
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No/~~Yes, Paragraphs :~~
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No/~~Yes, Forward Plan item – scheduled for ……………………..……~~
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

Title: Statement of Accounts and Audit Findings Report
Lead Officer: Mike Snow (01926 456800)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: N/A

Summary

This report presents the 2020/21 Audited Statement of Accounts to be agreed by the Committee. The External Auditor's Audit Findings Report is also presented. Whilst work on the audit is not concluded, it is expected that the auditors will issue an unqualified audit opinion.

Recommendation(s)

(1) That the Committee notes the 2020/21 Audit Findings Report.

(2) That the Committee approves the letter of representation on behalf of the Council.

(3) That the Committee agrees that the Accounts are not adjusted in respect of the £89k Property Plant and Equipment Valuation.

(4) That the Committee approves the 2020/21 Audited Statement of Accounts, with the changes having been made.

(5) That the Committee agrees that authority be delegated to the Head of Finance in consultation with the Chairman of Finance and Audit Scrutiny to agree any final changes to the accounts if required from the final work of the external auditors.

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1 Background/Information

1.1 The draft 2020/21 Statement of Accounts were published on the 16 July. As previously reported, due to the Covid crisis, the statutory deadline for this in the current year has moved in the current year from 31 May to 31 July.

1.2 The accounts have subsequently been subject to audit by Grant Thornton, the Council's external auditors. The date for the audited accounts to be signed off has been shifted from 31 July to 30 September. As reported to the Committee in September, the auditors have not been able to complete their work to enable the accounts to be signed off by this date.

1.3 There have been two material changes to the accounts, as detailed in Appendix C of the Auditor's report:-

- £1m adjusted to reduce cash and increase short term debtors
- £2.851m adjusted to increase pension fund assets so decreasing the net pension liability and unusable reserves. This adjustment was referred to at the last meeting of the Committee.

Both of these adjustments do not impact on the funding available to the Council

1.4 The value of Property Plant and Equipment (gross total value in the accounts £542m) is £89k less than the value in the Council's asset register. It is not proposed to adjust for this as it is not deemed material. The cause for this variance is to be investigated and rectified ahead of the 2021/22 Accounts being drafted. Members are requested to agree to this not being adjusted within the 2020/21 Accounts.

1.5 The audit of the accounts is now virtually complete, with the Audit Findings Report from the external auditors having been issued (attached). Consequently, Members are asked to approve both the letter of representation (attached) and the Audited Statement of Accounts.

1.6 Unfortunately, Grant Thornton will not be able to issue their final audit Statement and so sign off the Accounts until they have finished the items of work still outstanding. Should the final work by Grant Thornton require any further changes to the Council's Statement of Accounts, it is recommended that these are agreed by the Head of Finance in consultation with the Chairman of the Finance and Audit Scrutiny Committee.

1.7 The Value for Money work is still to be completed by the Auditors. This does not have to be confirmed alongside the Accounts. Grant Thornton plan to report on the VFM to the December meeting of the Committee. After that, the Auditors should be able to conclude the overall 2020/21 Audit.

1.8 It has recently been reported that just 9% of local government bodies' 2020/21 audits were completed by the end of September. This compares to 45% of audits being completed by the target date for 2019/20 and 57% for 2018/19.

1.9 Having the audited accounts signed off in the current environment is a major achievement. This has entailed hard work by the Accountancy Team and from officers across the Council, and also from the external auditors. The close working from all involved has been important in enabling the Council to get to this position. The Council is in a far better position here than many local authorities.

2 Alternative Options available to Finance and Audit Scrutiny Committee

2.1 No alternative options are presented for consideration.

3 Consultation and Member's comments

3.1 As Finance Portfolio Holder, Cllr Hales has commented:-

Whilst it is noted that there is still some work to be done by the Accountants and Auditors before the 2020/21 Statement of Accounts can be signed off, the Council is in a very good position compared to many other authorities, and in view of the on-going challenging circumstances. Thanks are expressed to both the Finance Team and the External Auditors.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 N/A

4.2 Financial

4.2.1 The original scale fee for the audit agreed by Public Sector Audit Appointments (PSAA) was £41,290. Grant Thornton are seeking £65,540 for the cost of the audit, with details of causes for this increase included in their report. Much of these requirements reflect increased standards and requirements with which they are due to adhere to. The final fee will need to be agreed by PSAA. In recognition of some these increased requirements, the Government has agreed £15m additional funding towards the cost of the 2021/22 audits, with each local authority due to receive £21,285 towards the increased costs, which will be factored into the 2021/22 Budget.

4.3 **Council Plan**

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

4.3.2 The Council Plan has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found on the Council's website.

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

4.4 **Environmental/Climate Change Implications**

4.4.1 N/A

4.5 **Analysis of the effects on Equality**

4.5.1 N/A

4.6 **Data Protection**

4.6.1 N/A.

4.7 **Health and Wellbeing**

4.7.1 N/A.

5 Risk Assessment

5.1 The closure of the Accounts continues to be a key project across the Council. This has had detailed action plans, which are closely monitored, and are designed to reduce the risks involved in closing the Accounts and producing the Audited Statement of Accounts.

6 Conclusion/Reasons for the Recommendation

6.1 The Committee are asked to agree the proposed recommendations.

Background papers:

Statement of Accounts 2020/21

Audit Findings Report

Letter of Representation

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Finance & Audit Scrutiny Committee, 3 November 2021
Title of report	Statement of Accounts and Audit Findings Report

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)		N/A
Portfolio Holder WDC & SDC *	22/10/2021	Cllr Hales
Financial Services *	22/10/2021	Andrew Rollins
Legal Services *	25/10/2021	Phil Grafton
Other Services		
Chief Executive(s)	22/10/21	Chris Elliott
Head of Service(s)	22/10/2021	Mike Snow
Section 151 Officer	22/10/2021	Mike Snow
Monitoring Officer	25/10/2021	Phil Grafton
CMT (WDC)		
Leadership Co-ordination Group (WDC)		
Other organisations		

Final decision by this Committee or rec to another Ctte/Council?		Recommendation to :Cabinet / Council ……………………………Committee
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No/Yes, Forward Plan item – scheduled for …………………..…… (date)
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

The Audit Findings for Warwick District Council

Year ended 31 March 2021

Warwick District Council

3 November 2021

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Grant Patterson

Name : Grant Patterson
For Grant Thornton UK LLP
Date : 3 November 2021

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was completed on remotely during July-October. Our findings are summarised on pages 5 to 17.

We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement and General Fund balance. However, on 28 September 2021 the Council received a revised actuarial report which better reflected pension fund assets as at 31 March. This resulted in an increase in the Council's share of pension fund assets of £2,851k, and a corresponding reduction in the net liability. The pension fund note, Balance Sheet and Movement in Reserves Statement will be adjusted for this movement. There has also been a £1,000k reclassification between cash and short-term debtors.

There remains a difference between the Council's fixed asset register and the ledger. This has increased to £89k (PY £50k) and is now just above our trivial level. Management are not proposing to adjust on the basis of materiality. The Finance & Audit Scrutiny Committee will be asked to confirm their agreement to this through their approval of the Letter of Representation. Audit adjustments are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters:

- completion of our work in relation to property valuations;
- completion of our work in relation to the net pension liability;
- completion of our work in relation to journals testing;
- completion of our work in relation to the Movement in Reserves Statement;
- completion of our work in relation to housing benefit expenditure;
- receipt of management representation letter; and
- review of the final set of financial statements.

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

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. There are three new recommendations and two rolled over recommendations in respect of:

- undertaking monthly reconciliations for the "whole" cash in bank account and reconciling the difference of £94k between the adjusted cash balance per the bank reconciliation and balance per the ledger;
- continuing to improve the process and timing of property valuations;
- the continuing need to reconcile the fixed asset register with the general ledger;
- the availability of floor area information to support property valuations; and
- the process for estimating the provision for business rates appeals.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was presented to Finance and Audit Scrutiny Committee on 22 September 2021. We expect to issue our Auditor's Annual Report shortly after the Finance and Audit Scrutiny Committee on 15 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of financial sustainability, closer working with Stratford upon Avon District Council and the establishment of the housing company (Milverton Homes Ltd). Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2021, and the Whole of Government Accounts assurance statement – the guidance for which is not expected until December 2021.
Significant Matters	Whilst we did not encounter any significant difficulties or identify any significant matters arising during our audit our work on property valuations was again challenging. It took a long time for us to be satisfied that the revaluations provided by the external valuer, Carter Jonas, had been properly reflected in the financial statements. The revised auditing standard in relation to estimates has also ed to heightened scrutiny over the estimates in the accounts, particularly in this area and pension valuations.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Finance & Audit Scrutiny Committee meeting on 3 November 2021, as detailed in Appendix E. These outstanding items include:

- completion of our work in relation to property valuations;
- completion of our work in relation to the net pension liability;
- completion of our work in relation to journals testing;
- completion of our work in relation to the Movement in Reserves Statement;
- completion of our work in relation to housing benefit expenditure;
- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access working arrangements video calling, physical verification of assets, and verifying the completeness and accuracy of information provided remotely produced by the Council.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table below our determination of materiality for Warwick District Council

	Planning Amount (£m)	Final Amount (£m)	Qualitative factors considered
Materiality for the financial statements	1.6	1.4	We initially determined materiality for the audit of the Council's financial statements as a whole to be £1,600,000, which equates to approximately 1.6% of the Council's gross operating expenses for the prior period. On receipt of the draft 2020/21 financial statements gross expenditure had decreased from £97,979k to £90,861k. We re-calculated materiality on the lower figure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	1.12	0.98	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment. • There has not historically been a large number or significant misstatements arising as a result of the financial statements audits at the Council. • Senior management and key reporting personnel in the finance function has remained stable from the prior year audit.
Trivial matters	0.08	0.07	We determined the threshold at which we will communicate misstatements to the Finance & Audit Scrutiny Committee to be £70k.
Materiality for senior officers' remuneration	0.1	0.1	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements – key messages

Key messages arising from our financial statements work

- the financial statements were submitted before the deadline;
- officers have made a number of minor changes to the financial statements to correct typographical errors;
- officers made adjustments to a number of notes in order to improve clarity and to better comply with the CIPFA Code. None of these adjustments impacted the Council's financial performance;
- our work on Note 20 – Cash & Cash Equivalents – took a lot longer than planned. Officers prepared a revised bank reconciliation which resulted in a net movement of £1m between bank current accounts and short-term debtors. While there is no impact on the Net Current Assets, we have made a recommendation on page 25 for Officers to address this.
- the financial statements have been updated to reflect the impact of latest IAS 19 actuarial report from the Council's actuary, Hyman Robertson. This had the affect of increasing the Council's share of pension fund assets by £2.851m, and reducing the net liability by the same amount. This arose owing to changes in the value of pension fund assets between the actuarial report used to prepare the financial statements and the values as at 31 March 2021;
- officers have included an additional disclosure note in regard to the early payment of pension contributions in order to receive a discount. This also explains that he Pensions Reserve is £57,452k, with the net liability £52,687. The £4,755k difference being the early payment.
- our work on the business rates (NNDR) provision identified that the provision is estimated based on the national average of 4.7% which is applicable in the previous calculations of provisions for business rates appeals. We have recommended that the Council should consider the Check, Challenge and Appeal (CCA) in the computation of provision for business rates appeals. We also noted that management had been over-providing for appeals as they has not been taking off the actioned appeals from the calculation using the 4.7%. This led to the removal of £3,628k provisions as shown in Note 22. The 2017 check, challenge and appeals details have only recently become available to Councils. This has led to an improvement in the estimation technique, with the resulting change as noted.
- our work on property valuations was again challenging. It took a long time for us to be satisfied that the revaluations provided by the external valuer, Carter Jonas, had been properly reflected in the financial statements. Our work identified a number of issues, and we have made two recommendations on page 25:
    - officers use the change in value of those assets revalued in year as a proxy for those that are not revalued. Where the estimated change in value of those assets not revalued is material, officers request further valuations. However, the change in asset values had been applied incorrectly. While this has not had a material impact in this financial year, it could result in the Council obtaining unnecessary valuations, or a material difference in value at 31 March.
    - the fixed asset register (Logotech) does not agree to the general ledger. There is an £89k difference between the two. Last year we reported the difference as being £50k, so it has nearly doubled in year but is only just above our trivial level. Officers have been unable to identify the cause of this, other than to comment that it may be due to asset lives being revised, with a difference arising in depreciation between Logotech and the manually calculated spreadsheets used for the ledger; or revaluations being incorrectly entered into Logotech.
    - valuations conducted by Carter Jonas did not include any in year additions. As the additions will have been known at the time of the valuations, including them in the instructions to the valuer would then eliminate the need for further adjustments to asset values.
    - neither the external valuer, Carter Jonas, nor officers, were able to provide us with floor areas for the assets we tested. We were provided with floor plans, but these did not include any measurements. As floor area is a key determinant in the valuation of some properties officers need to ensure that this information is readily available.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	To address this risk we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Findings** Our audit work in this area is nearly complete. To date we have not identified any evidence of management override of controls.
Improper revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because: • there is little incentive to manipulate revenue and expenditure recognition • opportunities to manipulate revenue and expenditure recognition are very limited; and • the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable. Therefore we did not consider this to be a significant risk for Warwick District Council. **Findings** Our audit work did not identify any issues which caused us to re-consider our initial assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings and investment properties The Council revalues its land, buildings and council dwellings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £402m of council dwellings, £81m other land & buildings and £10m of investment property in the prior period) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value of the fair value (for surplus assets) at the financial statements date, where a rolling program is used. We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code are met; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Tested revaluations made during the year to see if they had been input correctly into the Council's balance sheet; • Evaluated assumptions made by management for assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. **Findings** Our audit work in this area has been challenging, and is ongoing. We have set out the main challenges on page 7. We are still working with the external valuer, Carter Jonas, and with officers, to complete our detailed testing on the sample of assets selected. However, our work to date has not raised any concerns that the valuations are materially misstated.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£53m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where the actuary has indicated that a 0.5% change in these two assumptions would have an approximately £17m - £20m (8.3 to 9.8%) effect on the gross liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	To address this risk we: • Updated our understanding of the processes and controls put in place by management to gain reasonable assurance that Council's net pension liability is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried our the Council's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtained assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. **Findings** Our audit work in this area is ongoing. As noted on page 7, the Council has been provided with an updated actuarial report which fully reflects the pension fund assets valuations as at 31 March 2021. This has resulted in the Council's share of the pension fund assets increasing by £2.851m, and the net liability decreasing by the same amount. Our work to date has not raised any issues we need to report and, based on the work completed, we are satisfied that the net pension liability is fairly stated.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £81.427m	Other land and buildings comprises specialised assets of £36.9m which include assets such as Newbold Comyn Leisure Centre, Royal Spa Centre, Pump rooms, which are required to be valued at depreciated replacement cost (DRC) at year end. The remainder of other land and buildings (£44.6m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its own external valuer, Carter Jonas LLP, to complete the valuation of properties on a four yearly cyclical basis.	We have: • Assessed the objectiveness and competency of management's expert • Determined the accuracy of the underlying information used to determine the estimate • Compared the consistency of estimate against a report from Gerald Eve setting out indices movements in the year • Tested the value of the properties by comparing a sample to enable us to assess the reasonableness of the increase in the estimate • Reviewed the adequacy of disclosure of estimate in the financial statements Whilst we are satisfied there is no material misstatement in the value of Other Land and Buildings we did identify improvements which could be made to the revaluation process. These are reported on page 7, and are included as recommendations at Appendix A.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £52.7m	The Council's total net pension liability at 31 March 2021 per the draft accounts is £57.452m (PY £40.891m) . The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from the Local Government Pension Scheme in which it participates, (which is the Warwickshire Pension Fund, administered by Warwickshire County Council). A full actuarial valuation is required every three years. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The 31st March 2019 formal valuations for English and Welsh LGPS Funds were concluded by 31st March 2020.. The Council has received a revised IAS19 report from Hymans Robertson to reflect the actual return on plan assets for the year to 31 March 2021. The impact of this is a revised net pension liability of £49.846m, a reduction in the liability of £2.851m. The Council has adjusted for this. Please refer to Appendix C.	PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2021.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2%	1.95% - 2.05%	● (G)
Pension increase rate	2.85%	2.85% - 2.80%	● (G)
Salary growth	3.65%	2.80% - 3.85%	● (G)
Life expectancy – Males currently aged 45 / 65	23 / 21.8	21.8-24.3 / 20.4-22.7	● (G)
Life expectancy – Females currently aged 45 / 65	26.1 / 24.2	25.2-26.7 / 23.2-24.9	● (G)

We have also reviewed the:

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

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions - NNDR appeals - £3.699m (£0.849m short-term, £2.820m long-term)	The Council is responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	We have: • Reviewed the appropriateness of the underlying information used to determine the estimate • Considered the reasonableness of increase/decrease in estimate • Confirmed the adequacy of disclosure of estimate in the financial statements We note that the provision is estimated based on the national average of 4.7% which is applicable in the previous calculations of provisions for business rates appeals. Moving forward, the Council should consider the Check, Challenge and Appeal (CCA) in the computation of provision for business rates appeals. We also note that management had been over-providing for appeals as they has not been taking off the actioned appeals from the calculation using the 4.7%. This led to the removal of £3,628k provisions as shown in Note 22. The 2017 check, challenge and appeals details have only recently become available to Councils. This has led to an improvement in the estimation technique, with the resulting change as noted.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £59.4m	Note 33 – Grant Income – includes £6m in respect of Covid-19 grants from Government. We have reviewed each of the significant grants received in respect of Covid-19, and are satisfied that the Council has appropriately concluded whether it is acting as agent or principal.	We have considered: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all; • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES; and • the adequacy of disclosure of judgement in the financial statements. Our work has not identified any issues in relation to judgements or estimates.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.
Land and Buildings – Council Housing - £411.124m	The Council owns 5,462 dwellings and is required to revalue these properties in accordance with MHCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council's last full valuation of council dwellings was as at 31 March 2021. The year end valuation of Council Housing was £411.124m, a net increase of £9.005m from 2019/20 (£402.119m). This is made up of: Asset additions £7.584m Asset disposals (£1.491m) Revaluation Increases £2.912m TOTAL £9.005m	We have: • Assessed management's expert, • Reviewed the completeness and accuracy of the underlying information used to determine the estimate • Assessed the impact of any changes to valuation method • Considered the reasonableness of the increase in estimate • Considered where the disclosures relating to the estimate are appropriate in the financial statements Our work in this area is ongoing. To date we have not identified any issues which indicate the valuation of council dwellings is materially misstated.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.244m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance and the Council's policy for the calculation of MRP is set out in its annual budget setting report presented to Council. The year-end MRP charge was £0.244m, a net increase of £6k from 2019/20.	We have assessed this estimate, considering: • the Council primarily applies MRP to internal borrowing / loans for three assets – St Nicholas Park Leisure Centre; Newbold Comyn Leisure Centre and Europa Way Spine Road • in accordance with the relevant guidance, the Council does not provide MRP on the borrowing incurred as part of the self financing of the Housing Revenue Account. • whether the MRP has been calculated in line with the statutory guidance • whether the Council's policy on MRP complies with statutory guidance. • whether any changes to the authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council • the reasonableness of the increase in MRP charge We have no findings to report.	We consider management's process is appropriate

Assessment

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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Finance & Audit Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	• A letter of representation has been requested from the Council, which is included with the Committee papers.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to those organisations with which is banks, invests and borrows from. This permission was granted. • We have identified no issues from the work performed to date.
Accounting practices	• We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	• All information and explanations requested from management were provided as requested. • However, as noted last year, remote working has highlighted the complexity of the Council's underlying financial systems. It has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. Certain reports have also taken longer to obtain in an appropriate format than would be expected, for example the bank reconciliation and journal reports. The finance team are aware of the limitations with the current finance system and have procured a replacement finance package which is due for implementation in 2021/22.

2. Financial Statements - other communication requirements

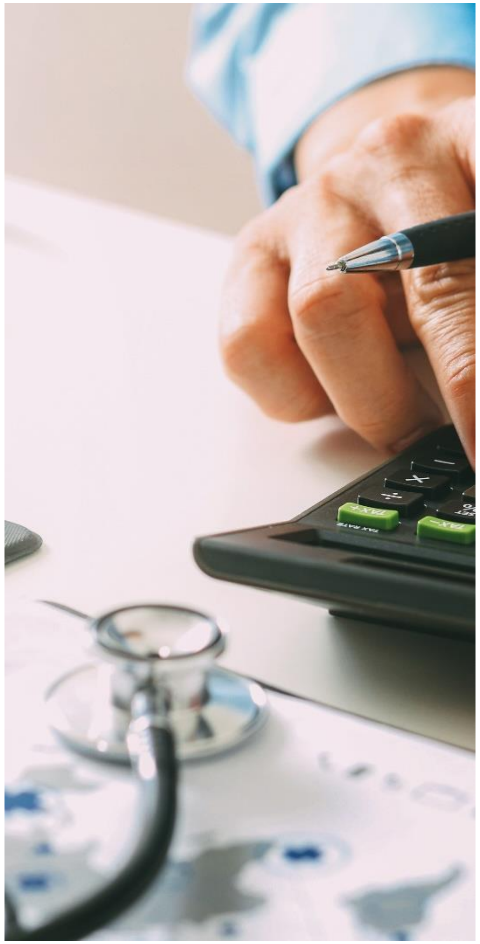
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor inconsistencies between the Narrative Report and financial statements have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – please refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We do not anticipate detailed work being required as the Council normally does not exceed the threshold for this. However, the guidance and assurance statement for 2020/21 are not expected until December 2021.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Warwick District Council in the audit report, as detailed in appendix E, due to incomplete VFM work and awaiting the WGA guidance and assurance statement.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was presented to the Finance and Audit Scrutiny Committee on 22 September 2021. We expect to issue our Auditor's Annual Report by 17 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. We have performed further procedures in respect of these risks and have completed this element of our VFM work. Our conclusions are detailed below.

Risk of significant weakness	Work completed to date
Financial Sustainability In our audit plan presented to the Finance & Audit Scrutiny Committee on 7 July 2021, we commented "The Council is now forecasting to achieve an improved position on its 2020/21 Budget compared to the position previously reported to Members. However, to balance the budget in the current year, it has been necessary to make greater use of the Business Rates Retention Volatility Reserve (BRRVR). Taking into account government funding, expenditure savings and re-profiling the Council's MTFS now indicates that additional savings will not be required before 2023/24. However, the financial position does remain volatile and therefore maintaining reserve levels remains a priority. The Council will need to maintain focus on delivering its budget, and be agile in the face of any continuing impacts of the pandemic. We will review the Council's Medium Term Financial Statement and financial monitoring reports and assess the assumptions being used and savings being achieved."	We noted that we would review the Council's Medium Term Financial Statement and financial monitoring reports and assess the assumptions being used and savings being achieved. Our work in this area remains in progress. We have conducted file reviews and had discussions with the Head of Finance. Through this we have considered: • how the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them plans • how the Council plans to bridge its funding gaps and identifies achievable savings • how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities • how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans We are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date.

3. VFM - our procedures and conclusions

Risk of significant weakness	Outcome
Governance and the 3Es In our audit plan presented to the Finance & Audit Scrutiny Committee on 7 July 2021, we commented "The Council is working closer with Stratford on Avon DC (SAVDC) – in February 2021 both the Council and SACDC agreed to seek a merger by 1 April 2024. The councils are appointing joint Heads of Service and have established a Joint Cabinet. Savings are anticipated through greater integration and we will review progress and governance as part of our work."	Our work in this area remains in progress. We have conducted file reviews and spoken to officers. We will undertake further meetings and work. Again, we are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date.
Governance and the 3Es In our audit plan presented to the Finance & Audit Scrutiny Committee on 7 July 2021, we commented "The Council established a Housing Company in March 2021. It is intended that the Company will primarily develop properties for market sale and market rent. The Company will be able to access loans of between £45-60m from the Council. As noted in recent Public Interest Reports at other councils the governance and accountability arrangements around such companies are important to ensure value for money for the public. We will therefore review the arrangements established by the Council as part of our work	Our work in this area remains in progress. We have conducted file reviews and spoken to officers. We will undertake further meetings and work. Again, we are in the process of drawing our findings together but have not identified any significant weaknesses from the work done to date.

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 3 November 2021, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,300	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,300 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Grant Claim	17,250	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,250 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Fixed Asset Register** There is an £89k difference between the fixed asset register and the ledger, and hence the financial statements. As noted on page 7, Officers are unable to identify why this is and correct the imbalance. While there is little risk of the property values being materially misstated, even over time, the two should agree.	Management should identify and correct the differences between the fixed asset register and the ledger. **Management response** This will be addressed as part of the implementation of the new Financial Management System, with any adjustment required to rectify the imbalance reflected in the 2021/22 Statement of Accounts.
Medium	**Floor area evidence to support property valuations** Neither the external valuer, Carter Jonas, nor officers, were able to provide us with floor areas for the assets we tested. We were provided with floor plans, but these did not include any measurements.	As floor area is a key determinant in the valuation of some properties Management need to ensure that this information is readily available. **Management response** Work with the Assets team will commence to ensure Floor areas plans (with measurements) are held and made available for the external valuer as necessary.
Medium	**Provision for Business rates appeals** The provision is estimated based on the national average of 4.7% which is applicable in the previous calculations of provisions for business rates appeals. By using an out of date process the estimate of the provision could be misstated.	The Council should consider the Check, Challenge and Appeal (CCA) in the computation of provision for business rates appeals. **Management response** With more data now available on Check, Challenge, Appeal being incorporated into our provision, the risk of future assessments of the business rates appeals being misstated should be reduced.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	**Bank Reconciliation** The cash in bank balance is composed of various cost centre accounts - all of which are separately maintained for the bank balance and other cash reconciling items such as cash in transit, unpresented cheques and cash transfers in/out. Officers prepare monthly cash reports to summarise cash income, expenditures, and transfers in/out during the period and agree them to the ending balances of each cost centre. However, there is really no bank reconciliation performed during the year for the "whole" cash in bank account. Hence, Officers overlooked to reconcile the difference of £1m at the end of the year, as reported on page 7. Officers advised the audit team that the difference comes from the postings on "PARIS suspense account." Being a suspense account, this should be zeroed out at year-end. On further investigation Officers identified that they overlooked to make an entry to reclassify the PARIS suspense account to short-term debtors. Officers are also unable to reconcile the remaining difference of £94k between the adjusted cash balance per the bank reconciliation and balance per the ledger. Officers believe the difference may pertain to the timing difference between the bank statement and ledger postings.	Management should prepare monthly bank reconciliations that consider all the cost centre accounts that make up the cash in bank account. Any suspense accounts should be cleared and reconciling items investigated at the same time. **Management response** The new Financial Management System should improve the bank reconciliation process, with full reconciliations to be undertaken monthly. It is expected that the full benefits of the new system will be realised for the 2022/23 Statement of Accounts, due to the migration to the new Financial Management System taking place mid-year in 2021/22.

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Warwick District Council's 2019/20 financial statements, which resulted in seven recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Delivery of savings plans** The financial year 2022/2023 will see perhaps the peak of the challenge. The Council's current MTFS shows a budget gap of £6.139m in setting a balanced budget for 2022/23. The Council is also likely to see further impact of the pandemic. Based on the work completed we have concluded that the Council has adequate arrangements in place to deliver financial sustainability. **Recommendation** The savings plans identified need to be progressed as a matter of urgency along with the agreement of further projects and initiatives to close the budget gap.	**Management response** An update on the savings plans is due to be considered by the Executive on 10 December 2020. **Audit comment** We identified this as a significant VFM risk, and have reviewed progress as part of our VFM work. Please see page 20 for the detail. Based upon our work at this time we are satisfied that financial sustainability is not a significant risk to the Council.
X	**Property, Plant and Equipment – Asset register** The value of PP&E per Note 13 of the draft financial statements is £501,725k. The value of assets per the underlying asset register is £501,775k, a difference of £50k. The financial statements are not supported by a fully reconciled asset register. **Recommendation** The PP&E register difference of £50k should be investigated and corrected for the 2020/21 financial year.	**Management response** The PP&E register difference will be investigated and corrected for the 20/21 Financial Year. Looking forward, it is expected that the Asset Register will be incorporated into the new Financial Management System (due to be in place by July 2021), allowing for a more efficient and accurate reconciliation process. **Audit comment** As noted on page 7, these differences persist.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Waste management contract** As part of our review of the Council's MTFS we have considered the Council's decision to extend its existing waste management contract. This extension is for 18 months (with the option to extend for a further year) We have not identified this as a significant risk however it does represent a significant recurrent cost increase above forecast in the Council's MTFS. We have discussed the contract extension with relevant officers of the Council and reviewed relevant reports to support the decision. We have also sought assurance that appropriate legal advice was taken by the council throughout this contract negotiation period and certainly prior to offering the 18 month extension. We are satisfied that the Council has taken appropriate legal advice from Warwickshire County Council Legal Services department. We are also satisfied this contract extension will give the council the opportunity to review the previous tender exercise and where necessary make amendments to take account of current circumstances combined with the Council's strategic direction in relation to Climate Change and Partnership working. **Recommendation** The Council should use the agreed waste management contract extension period to revisit the original tender exercise and update where. It will also give the Council the opportunity to reflect on the exercise and align with the Council's strategic direction in relation to Climate Change and Partnership working.	**Management response** The contract extension will allow officers to revisit the waste collection specification that it takes to the market. Currently the specification requires kerbside sorting of recyclables and residual waste collection, both on a fortnightly basis, and food waste collection on a weekly basis. The extension will allow the frequencies to be revisited along with the approach to recycling i.e. should recyclables be co-mingled as opposed to kerbside sorted. There will also be an opportunity to examine whether the approach to waste disposal through a Materials Recovery Facility would be more cost effective. These considerations can be done in the context of the Council's ambition to work more closely with its neighbour Stratford upon Avon District Council whilst also addressing its climate change objectives. **Audit comment** A new waste management contract, which incorporates Stratford upon Avon District Council, has been agreed.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Property Plant and Equipment – Valuation arrangements – 20% rolling programme It is acknowledged the Council has made progress this year in relation to its PP&E revaluation process and improved quality control procedures to ensure valuations have been carried our as per instructions to the valuer. It is however possible to improve this process further and in particular eliminate duplication of effort in the valuation process. 20% of assets identified as General fund assets are subject to revaluation at 1 April 2019 as part of the rolling programme of valuations. 26 assets were revalued at 1 April 2019 as part of the 20% rolling programme. 10 of these assets are investment properties which are revalued annually in accordance with accounting standards. The 10 investment properties included within the 20% rolling programme have been subject to revaluation at both 1 April 2019 and at 28 February 2020. This is duplication of effort. Investment properties are revalued annually as per accounting standards and as such should not be included in the rolling programme of valuation. Recommendation The Council should review its 20% rolling programme and complete this valuation at the year end or 28 February in line with other assets rather than as at 1 April. (The Council may wish to consider the valuation date of assets given potential changes to the accounts timetable moving forward). The rolling programme of revaluation should be reviewed to ensure there is no duplication of valuations in relation to Investment Property.	Management response As part of the discussions with valuers, the valuation dates will be reviewed to streamline the process, and to seek to reduce the amount of work required at year end. The dates on which the valuations are carried out will be agreed to best support completion in line with the 2020/21 Statement of Accounts deadlines. Audit comment The 20% rolling programme is still in use, but with assets being valued at 31 March 2021. There has been no duplication of valuations in 2020/21.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Property Plant and Equipment – 80% sample of assets** As at 28 February 2020 the Council instructed the valuer, Carter Jonas to revalue a sample of assets which had not been subject to revaluation as part of the 20% rolling programme. This sample includes high value assets in particular and provides assurance that values included within the financial statements remain appropriate.. 41 assets were revalued with a total value per the valuers report of £44.885m. These assets are included in the asset register at a value of £44.924m (a difference of £39k). The Council has not updated the asset register for asset valuations carried out at 28 February 2020 on the basis that the £39k movement is trivial. Although we are satisfied the overall movement in assets is trivial there are both upward an downward movements on individual assets which are not trivial. As such this will impact on for example depreciation calculations depending on the assets useful life. Although we are satisfied assets are not materially misstated the Council should ensure its underlying asset registers reflect the latest valuation information provided by managements expert, Carter Jonas. **Recommendation** All revaluations should be updated within the Council's asset management system to ensure these reflect the most up to date valuations provided by management experts, in this case Carter Jonas.	**Management response** The revaluations will be updated within the Council's asset management system to reflect the most up to date valuations provided by the valuers. Looking forward, it is expected that the Asset Register will be incorporated into the new Financial Management System (due to be in place by July 2021), allowing for a more efficient and accurate reconciliation process. **Audit comment** Assets were revalued as at 31 March 2021, and any changes have been reflected in the asset register.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Bank reconciliation** As part of year end audit procedures we obtain 3rd party bank confirmations. For two bank accounts there were trivial differences in the reconciliations. Although these differences are trivial the reconciliation of all bank accounts is a key control and as such all bank accounts should be reconciled. **Recommendation** The reconciliation of all bank accounts is a key control and as such all bank accounts should be reconciled at appropriate intervals throughout the financial year and as part of year end close process.	**Management response** Bank accounts will be reconciled in line with recommendations. **Audit comment** Our work on the bank reconciliation this year took a lot longer than it should have done. This is because of the complexity of the reconciliation. Ultimately, Officers prepared a revised bank reconciliation, and this resulted in a £1m movement from Cash and Cash Equivalents to Short Term Debtors. Net assets remained the same.
✓	**Financial statement quality assurance procedures** Due to a mapping issue a number of material values were included in the wrong heading within Note 38, Pensions and Note 22, provisions. Overall, this has no impact on the values disclosed within the primary statements, this is presentational only. **Recommendation** As part of the year end procedures the Council should build in a final quality control review of the financial statements in order to identify mapping issues.	**Management response** Appropriate levels of review will be built into year-end process going forward to ensure mapping issues do not reoccur. **Audit comment** The mapping issue did not occur this year, and there are relatively few adjustments to the financial statements that we need to report to you. As noted above, there were some significant movements between asset categories as a result of Officers re-doing the bank reconciliation.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Decrease in cash and cash equivalents and increase Short Term Debtors	0	(1,000) 1,000	0
Increase in pension fund assets and consequential reduction in the Net Liability:	0		0
Decrease in Net Liability		(2,851)	
Decrease in Unusable Reserves		2,851	
Overall impact	£0	£0	£0

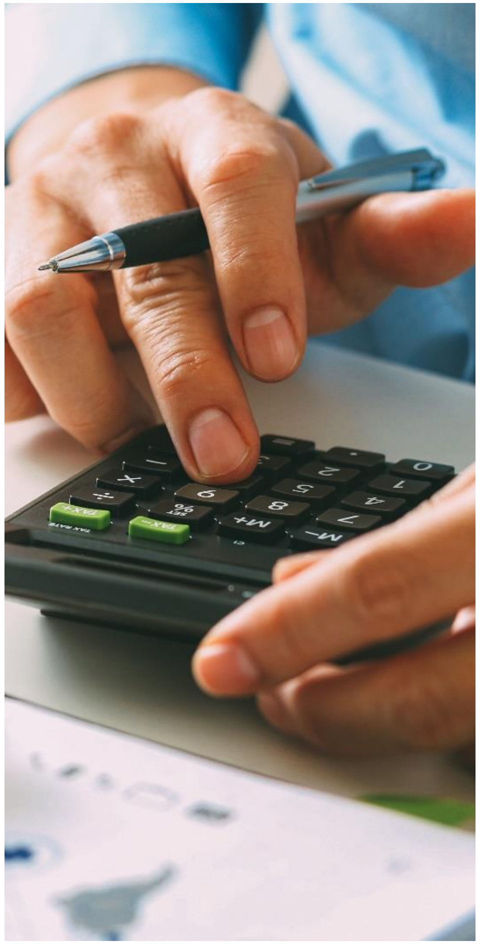
C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Note 5 – Events after the reporting period	An additional disclosure has been made to reflect progress made on the establishment and funding of the housing company and associated loans which the Council has provided.	✓
Note 38 – Defined benefit pension schemes	The narrative disclosure was amended to remove reference to the material uncertainty around pension fund property assets. There is no uncertainty for 2020/21. The narrative disclosure was enhanced to include the early payment of pension contributions.	✓
Minor amendments – Various Notes	A small number of other minor amendments were made to correct typing errors, page numbering and incorporate additional narrative information. We do not deem these significant enough to bring to the attention of those charged with governance.	. ✓

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Finance & Audit Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Property Plant and Equipment (PP&E). The value of PP&E per note 13 of the draft financial statements is £89k less than the value of assets per the underlying asset register.	(£89) (reduce expenditure)	£89 (increase assets)	(£89)	• Immaterial
Overall impact	£89	£89	£89	

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements.

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

Update for 2020/21

PPE – as noted on page 7, this difference has now increased to £89k.
Net Pension Liability – this has been reflected in the actuarial reports for 2020/21, and is therefore resolved.

D. Fees

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

Audit fees	Proposed fee (£)	Final fee (£)
Council Audit	65,540	TBC
Total audit fees (excluding VAT)	65,540	TBC

We will agree the audit fee with Officers after the completion of the audit. Any fee variations need Public Sector Audit Appointment (PSAA) approval.

Non-audit fees for other services	Proposed fee (£)	Final fee (£)
Audit Related Services		
Certification of Housing Capital Receipts return (2019/2020 billed 2020/2021)	2,300	2,300
Certification of Housing Benefit Grant Claim (2019/2020 billed 2020/2021)	14,250	17,250
Total non-audit fees (excluding VAT)	**£16,550**	**£19,550**

We have provided a reconciliation to the financial statements:

- Fees per financial statements = £49,000
- Difference in Council estimate and actual fees for 2019/20 = (£1,710)
- New fees in respect of 2020/21 developments = £18,250
- Total fees per above = £65,540

Audit fees – detailed analysis

Scale fee published by PSAA		£41,290
Ongoing increases to scale fee first identified in 2019/20		
Raising the bar/regulatory factors	£2,500	
Enhanced audit procedures for Property, Plant and Equipment	£1,750	
Enhanced audit procedures for Pensions	£1,750	
Recurring element of 2019/20 fee		£47,290
New issues for 2020/21		
Additional work on Value for Money (VfM) under new NAO Code	£10,000	
Increased audit requirements of revised ISAs	£6,500	
Local risk factors i.e. establishment of local housing company	£1,750	
Proposed increase to agreed recurring 2019/20 fee		£18,250
Total audit fees (excluding VAT)		£65,540

E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Warwick District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks

E. Audit opinion

associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Head of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

E. Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 26, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance. The Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Finance and Audit Scrutiny Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

E. Audit opinion

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Finance and Audit Scrutiny Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Finance and Audit Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, including the use of accounting estimates, assumptions and judgements, the risk of fraudulent expenditure recognition and the risk of improper revenue recognition. We determined that the principal risks were in relation to large and unusual journals which were designed to change financial performance, for example, moving amounts between the Balance Sheet and Comprehensive Income and Expenditure Statement.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Head of Finance has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, investment property and defined benefit pensions liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:

E. Audit opinion

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

E. Audit opinion

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Warwick District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Grant Patterson, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date:

Finance
Mike Snow – Head of Service

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

direct line: 01926 456800

email: mike.snow@warwickdc.gov.uk
web: www.warwickdc.gov.uk

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AR

our ref:
your ref:

26 October 2021 (As Audit Opinion)

Dear Sirs

Warwick District Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2021, for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include investment properties. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council’s financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Finance and Audit Scrutiny Committee at its meeting on 3 November 2021.

Yours faithfully

Jonathan Nicholls
Chairman of Finance & Audit
Scrutiny Committee

Mike Snow

Head of Finance and S151 Officer

Signed on behalf of the Council

Statement of Accounts

2020/21

and **Annual Governance Statement**

INVESTORS IN PEOPLE

disability confident EMPLOYER

WARWICK DISTRICT COUNCIL

www.warwickdc.gov.uk

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Please note that the Statement of Accounts presented in this document are under review by audit and may be subject to change.

Mike Snow, C.P.F.A.
Head of Finance

Narrative Report

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

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

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

- Understand the overarching financial position of the Council and the financial outturn for 2020/21;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

Further refinements to the content and production to that of previous years' financial statements have been made, taking note of the Audit recommendations from 2019/20 to ensure that they continue to be understandable and effectively comply with CIPFA standards.

Legislation typically requires that an authority's draft accounts are completed by 31 May following the year end, and an audited Statement of Accounts submitted to the appropriate body for approval by 31 July. In order to aid transparency, it also requires all local authorities to have a common thirty-day public inspection period which includes the first ten working days in June. Recognising the impact of coronavirus on the capacity of local authorities and external audit firms, the Accounts & Audit (Coronavirus) Regulations 2020 extended the publication deadline for 2019/20 accounts (only) to 30 November 2020. Finance and Audit Scrutiny Committee received the audit report and statement on 25 November 2020 in accordance with the deadline. Alongside this, a review (known as the Redmond review) had already noted that audit firms reported that the compression of the audit timetable in previous years gave rise to concerns about peaks in workload and pressures on staff. It noted that many audit opinions were not issued by the statutory publication deadline (eg only 57% for 2018/19 accounts) and proposed extending the deadline to 30 September. The Government has now issued the Accounts & Audit (Amendment) Regulations 2021, extending the draft publication date to 1 August (with the public inspection period to commence no later than this), and the publication date to 30 September, applying to the 2020/21 and 2021/22 accounts initially.

The Narrative Report provides information about Warwick District Council, its main objectives and strategies, the principal risks that it faces as well as demonstrating how the Council has used its available resources to achieve desired outcomes from both a financial and non-financial perspective. It also provides a summary of the financial position on 31 March 2021.

The Covid-19 pandemic impacted at the very end of the 2019/20 financial year following the Government's national lockdown, commencing from 23 March. This has meant that many of the businesses and attractions within the District have been closed for the majority of this financial year, or placed under varying levels of restrictions, impacting on the Council's income streams, and resulting in additional cost pressures as resources have been focussed on delivering key services throughout this period.

As can be seen within the content of these Statements, the Council has experienced significant losses across many of its largest income streams. While the Government, through a number of grant schemes introduced throughout the year have supported a number of key services impacted by the pandemic, it is still difficult to quantify the full impact of Covid-19 at this stage. It is likely that the Council will continue to face significant financial pressures in the immediate future as it begins to move into the recovery stages as restrictions continue to be eased further, and support mechanisms are gradually phased out. The Council will continue to revise its Medium Term Financial Strategy (MTFS) to reflect the impact of the pandemic, and any changing strategic objectives. Updates will be reported to Cabinet / Council on a regular basis.

Key facts about the District

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

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

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

The District has the largest population in the county and the population density of 4.9 people per square hectare is the second highest in Warwickshire and above national/regional averages. The population grew over the ten years from 2001 to 2011 by over 9%, a faster rate than England and Wales and the West Midlands and second only to Rugby in the county.

With a rich cultural heritage, the District is home to the popular tourist attractions of Warwick Castle and Kenilworth Castle, as well as several museums in Warwick. The Royal Pump Rooms in Royal Leamington Spa offer a rich cultural visitor experience, whilst the Royal Spa Centre runs an exciting programme of events in its 667 seat main house and 188 seat studio cinema. The District has been successful in achieving 20 successive Green Flag awards in recognition of its outstanding green spaces. Royal Leamington Spa has also achieved a Purple Flag, acknowledging the excellent night-time management of the town centre.

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

Political Structure

As at 31 March 2021, Warwick District had 17 wards and the Council consisted of 44 Councillors. The political make up of the Council is shown below.

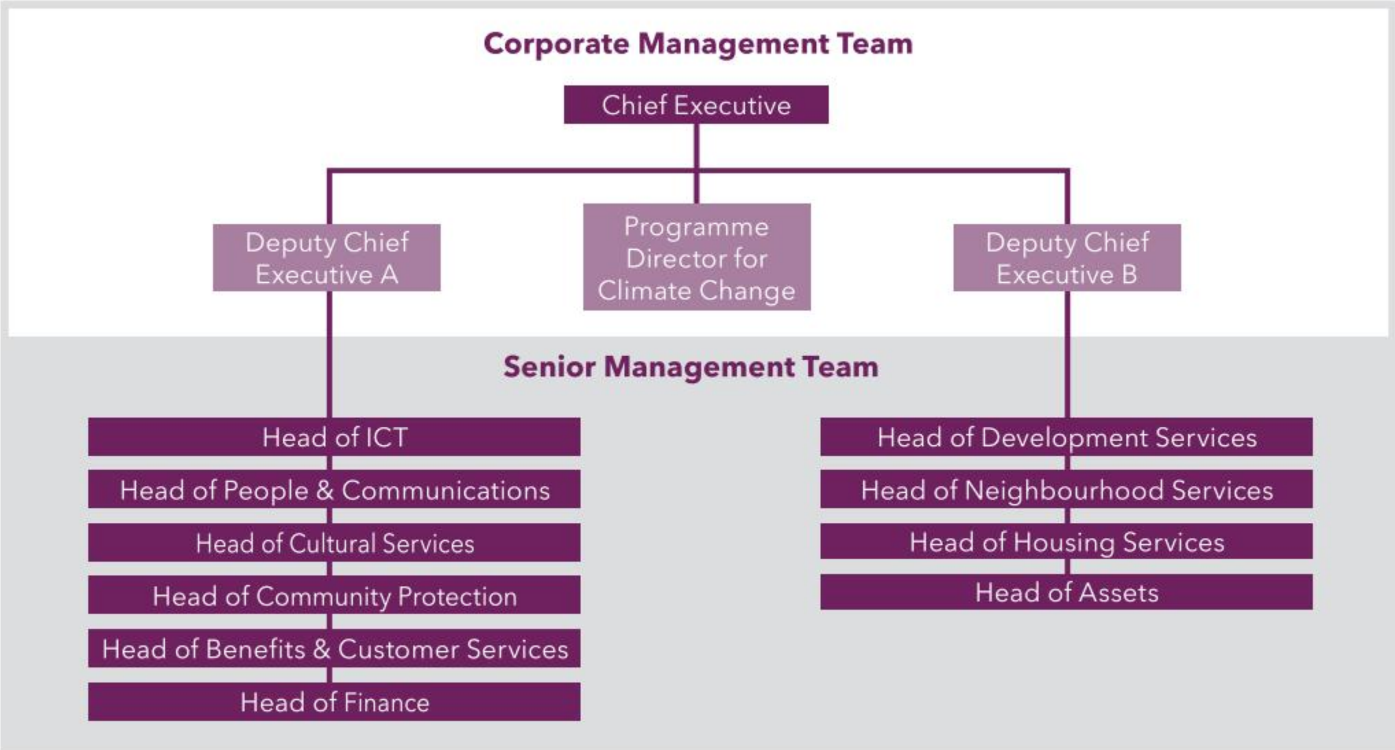
The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Cabinet has responsibility for the allocation of Portfolios and the delegation of Cabinet Functions. Cabinet members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2020/21, including the setting of a balanced budget for 2020/21, has been undertaken by either the Finance and Audit Scrutiny Committee or Overview and Scrutiny Committee.

Warwick District Council Key Information

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

Management Structure

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



During 2020/21 the Corporate Management Team was comprised of the Chief Executive and two Deputy Chief Executives. Deputy Chief Executive A also performs the duties of the Monitoring Officer and Legal Client Manager. During the year there was a review of these roles and Deputy Chief Executive Post B was deleted from the establishment as part of wider management review to combine senior management with Stratford-on-Avon- District Council.

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

The Corporate Management Team is responsible for the delivery of Council services, directing improvements and future plans for Warwick District. It provides managerial leadership and supports Councillors in:

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

Supporting the Corporate Management Team is the Senior Management Team which consisted of ten Heads of Service as shown in the diagram above. By the end of the financial year, four were shared posts with Stratford-on-Avon District Council.

Further Corporate Management Structure changes have been introduced from 1st August. There is now a Joint Management Team (JMT) comprising 12 joint Heads of Services together with the Chief Executives and Deputy Chief Executives from both authorities.

Council Employees

The full time equivalent number of staff employed by the Council in April 2020 was 467.6. This increased over the year to 502 at the end of March 2021, including twelve apprentices, with six new starters in 20/21.

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

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

Our Vision

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

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

Visit our website for more information on the updated Fit For Future Strategy and the 2020/21 service area plans.

FIT FOR FUTURE STRANDS		
PEOPLE	**SERVICES**	**MONEY**
	External	
Health, Homes, Communities	**Green, Clean, Safe**	**Infrastructure, Enterprise, Employment**
Intended outcomes: • Improved health for all • Housing needs for all met • Impressive cultural and sports activities • Cohesive and active communities	**Intended outcomes:** • Becoming a net-zero carbon organisation by 2025 • Total carbon emissions within Warwick District are as close to zero as possible by 2030 • Area has well looked after public spaces • All communities have access to decent open space • Improved air quality • Low levels of crime and ASB	**Intended outcomes:** • Dynamic and diverse local economy • Vibrant town centres • Improved performance/ productivity of local economy • Increased employment and income levels
	Internal	
Effective Staff	**Maintain or Improve Services**	**Financial Footing over the Longer Term**
Intended outcomes: • All staff are properly trained • All staff have the appropriate tools • All staff are engaged, empowered and supported • The right people are in the right job with the right skills and right behaviours	**Intended outcomes:** • Focusing on our customers' needs • Continuously improve our processes • Increase the digital provision of service	**Intended outcomes:** • Better return/use of our assets • Full cost accounting • Continued cost management • Maximise income earning opportunities • Seek best value for money

Our Values

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

HONESTY AND OPENNESS

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

VALUE FOR MONEY

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

ENVIRONMENTALLY SENSITIVE

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

COMMUNITY FOCUSED

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

FAIRNESS AND EQUALITY

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

Our Services

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

HEALTH & COMMUNITY PROTECTION

- Community Partnership Team
- Regulatory
- Safer Communities

FINANCE

- Accountancy
- Audit & Risk
- Procurement

BENEFITS

- Exchequer
- Benefits and Customer Services

PEOPLE & COMMUNICATION

- People
- Communication

CULTURAL SERVICES

- Sports & Leisure
- Programme Manager
- Arts - Royal Spa Centre, Town Hall & Royal Pump Rooms and Museum
- Commonwealth Games

ASSET

- Compliance
- Technical
- Bereavement Services

HOUSING SERVICES

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

DEVELOPMENT SERVICES

- Policy & Projects
- Building Control Consortium
- Development Management

NEIGHBOURHOOD SERVICES

- Green Spaces
- Business Support & Development
- Contract Services

ICT

- Application Support
- GIS
- Help desk & Technical Support
- Infrastructure Services
- Transformation Lead

Resource Strategies

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

DIGITAL STRATEGY

The Government's digital strategy is to provide "digital services which are so straightforward and convenient that all those who can use digital services will choose to do so, while those who can't are not excluded". The Digital Strategy outlines the approach that the Council will take to develop and deploy digital technologies that support service delivery, ensuring that these solutions work for our customers. It defines our vision, key themes and overall direction of travel for ICT and Digital services.

PEOPLE STRATEGY

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

MEDIUM TERM FINANCIAL STRATEGY FOR 2020/21 TO 2024/2025

The Medium Term Financial Strategy (MTFS) was approved by Council on 26 February 2020. This document sets out the financial framework used to ensure adequate financial resources are available to achieve the Council's objectives, and that appropriate action is taken to address significant future challenges.

ASSET STRATEGY

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

Visit our website for more information on these strategies.

Annual Service Area Plans

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

Visit our website for further information on the individual 2020/21 service plans.

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

The Council’s Performance at a glance 2020/21

CORPORATE ACHIEVEMENTS

85 committee meetings broadcast on YouTube watched over **11,000** times

85% staff working remotely

Closer working with Stratford District Council

Working *Together*

DEVELOPMENT

Welcome back to the town centres – business support and public encouragement, working closely with Health & Community Protection

OPEN

£10m funding secured from the Future High Street Fund for Leamington town centre

CULTURE

7 tennis courts resurfaced in Leamington

192,152 attended leisure centres safely between 1st and 2nd lockdown

ASSETS

£11.840m invested to improve, maintain and repair HRA properties

£744k grant to retrofit council buildings to reduce carbon

Vital support to the community from our bereavement services team at Oakley Wood

FINANCE & CUSTOMER SERVICE

Over **£48m** in grants paid out to businesses

£110,500 paid in Test & Trace Support Payments

£832k paid to Council Tax reduction claimants to provide further financial support

HOUSING

150
homeless people rehoused in social, private and supported housing

3620
Lifeline customers supported

Lifeline

3250
Fire safety inspections carried out

HEALTH & COMMUNITY PROTECTION

£6.2m
paid to community groups under the Community Economic Recovery Fund (CERF)

1316
businesses supported with Coronavirus safety advice

ICT

New laptops rolled out to all staff where required

Launched MS Teams to over
600
staff & councillors

NEIGHBOURHOOD

Over **50**
electric charging points installed in car parks across the district

Worked with HCP to provide a testing centre on Court Street in Leamington Spa

PEOPLE & COMMUNICATION

New payroll and annual leave system introduced

58
Number of staff joined us virtually since lockdown began

82 remote virtual training courses attended by **992** people

Financial Overview 2020/21

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

Revenue resources available to finance the General Fund budget, used to provide services are forecast to be approximately £16.217m by 2023/24. A year by year breakdown is shown in the diagram below:

REVENUE RESOURCES	2020/21 Actual '£000	2021/22 Forecast '£000	2022/23 Forecast '£000	2023/24 Forecast '£000
Revenue Support Grant	0	0	0	0
Business Rates	5,695	3,576	4,324	4,324
Collection Fund Balance	0	(39)	(39)	(54)
New Homes Bonus	3,726	3,726	3,269	1,278
Other Grants and Government Funding	14,257	0	0	0
Council Tax	11,323	9,889	10,274	10,669
Total Revenue Resources	**35,001**	**17,152**	**17,828**	**16,217**

The currently approved Medium Term Financial Strategy (MTFS) forecasts a surplus of £0.216m by 2025/26. However, this position is reliant on achieving a number of ambitious savings proposals agreed in December 2020, and also the use of a number of number of reserves, particularly over the next two years while the savings schemes are put into place and delivered. The strategy also assumes that the government's roadmap will continue and that restrictions will remain lifted going forward.

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

- Continuing revenue losses arising from COVID-19, and the uncertainty around the future economic impact to the proportion of Business Rates income retained by local authorities from 2022/23.
- Economic changes arising from Brexit including associated amendments to legislation
- Efficient procurement to deliver quality services at minimum cost
- Population growth increasing demand for services provided
- Expenditure pressures relating to pay awards, inflation, and capital programme financing costs.

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

For 2020/21 the Council approved a net General Fund budget of £9.599m which resulted in a D Band Council Tax charge of £171.86, an increase of £5 (3%) compared to the previous year. This came into place after the proposed Referendum budget was not approved by the local electorate following the cancellation of the Referendum in May 2020 due to COVID-19.

Financial Overview 2020/21

DURING THE YEAR, THE COUNCIL:

- Collected over £42.446m of Business Rates and £106.745m of Council Tax, of which £136.783m (91%) is passed onto Central Government and other agencies.
- Managed £10.035m of Investment Property which generated£0.526m of rental income which was used to support the provision of services within the District.
- Spent £89.299m (gross expenditure) on Council services.
- Received £39.201m of fees, charges and other service income, and Government grants and other contributions of £56.921m which were used to deliver Council services.
- Invested surplus cash balances to generate £0.985m of interest received.

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

	31 March 2021	31 March 2020
Non current assets (property & investments)	**£574.808m**	**£533.593m**
Net current assets (debtors, creditors & cash)	**£37.868m**	**£56.278m**
Long term liabilities (pensions & provisions)	**-£212.083m**	**-£198.303m**
Funded by Usable reserves	**£85.987m**	**£65.913m**
Unusable reserves	**£314.591m**	**£325.655m**
	Net assets £400.578m 31 March 2021	**Net assets £391.568m** 31 March 2020

The specified minimum level of General Fund revenue reserves as determined by the Head of Finance is £1.5m. The level of General Fund reserves to be carried into 2021/22 is £36.203m, which is £34.703m above the specified minimum amount. £32.862m of this total relates to Earmarked Reserves which have been set aside for specific purposes.

Financial Performance 2020/21

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

Revenue Outturn Position	Budget £000	Actual £000	Variation £000
Assets	(19)	(520)	(501)
Benefits & Customer Services	2,151	1,701	(450)
Cultural Services	5,231	4,901	(330)
Development Services	4,934	3,130	(1,804)
Finance	1,462	1,280	(182)
Health & Community Protection	4,656	3,922	(734)
Housing Services - General Fund	2,067	1,378	(689)
Housing Services - HRA	(2,596)	(4.390)	(1,794)
ICT	187	145	(42)
Neighbourhood Services	10,474	8,401	(2,073)
People & Communication	318	204	(114)
Strategic Leadership	4,126	(1,077)	(5,203)
Strategic Leadership - Investment	362	420	59
Net Revenue Expenditure on Services	**33,553**	**19,497**	**(13.857)**

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

In overall terms, the Council achieved a General Fund surplus of £0.241m, and a HRA surplus of £1.794m, both of which have been allocated to reserves.

Financial Performance 2020/21

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

Revenue Outturn Variances 2020/21		
Account Group	**Amount**	**Description**
Employees	(1,245)	• Salary Underspend -£0.2m • IAS Adjustment underspend -£1.1m • Agency & Overtime overspend £0.1m
Premises Related Expenditure	(1,538)	• HRA Repairs & Maintenance, repairs delays underspend - £1.3m • Council Tax Increase in days properties are void £0.1m • Repair & Maintenance on Car Parks underspend -£0.1m • Reduced rates RSH, Jephson Gardens -£0.1m • Delays to Leamington Car Park Displacement Programme - £0.1m
Supplies and Services	(1,259)	• Contingency budget underspend -£0.5m • Other hired services CCTV / Trees for the future schemes underspend -£0.2m • Computer Equipment costs underspend -£0.2m • Homeless Packs due to COVID overspend £0.3m
Third Party Payments	(811)	• Waste collection contract underspend -£0.6m • Consultants Fees underspend -£0.1m • Legal Fees underspend -£0.1m
Support Services	(2,288)	• Support Services Charges overspend in housing HRA due to vacancies
Capital Charges	6,298	• REFCUS- £5.9m • Impairment / Revaluation of Assets - £0.2m • HRA Asset Depreciation -£0.2m
Other Grants & Contributions	(1,619)	• Green Space Dev Commuted sums income -£1.1m
Fees and Charges	417	• Car Park Income down due to third lockdown £0.4m
Contributions from Reserves	971	• Increased contribution from Reserves £0.9m
Contributions to Reserves	(1,794)	• Increased Contribution to HRA CIR £1.8m

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA), is a ring-fenced account for services specifically relating to the provision of housing and associated services to Council tenants and leaseholders. The cost of providing these services is met from rents, service charges and grant funding. In 2020/21 £28.743m of income was received, of which £25.619m related to dwelling rents from 5,462 properties. £19.022m of this was spent on providing revenue services in year, and an increased Contribution to HRA reserves of £5.694m was achieved. The surplus has been transferred to the HRA Capital Investment Reserve (CIR), to be used to finance future housing projects.

HRA Capital Investment reserve balances at 31 March 2021 equal £28.495m, and the Major Repairs Reserve (MRR) balance (used to fund capital expenditure improving HRA assets, or to repay HRA debt) is £5.994m. As outlined in the Housing Investment Programme (HIP) which was approved in February 2021 Cabinet the Council Plans to spend £5.797m to improve its housing stock plus a further £4.9m in Slippage works from 2020/21 approved in August 2021 Cabinet which was caused by delayed works due to Covid 19. This is following an investment of £6.526m in 2020/21.

Capital Programme 2020/21 to 2024/25

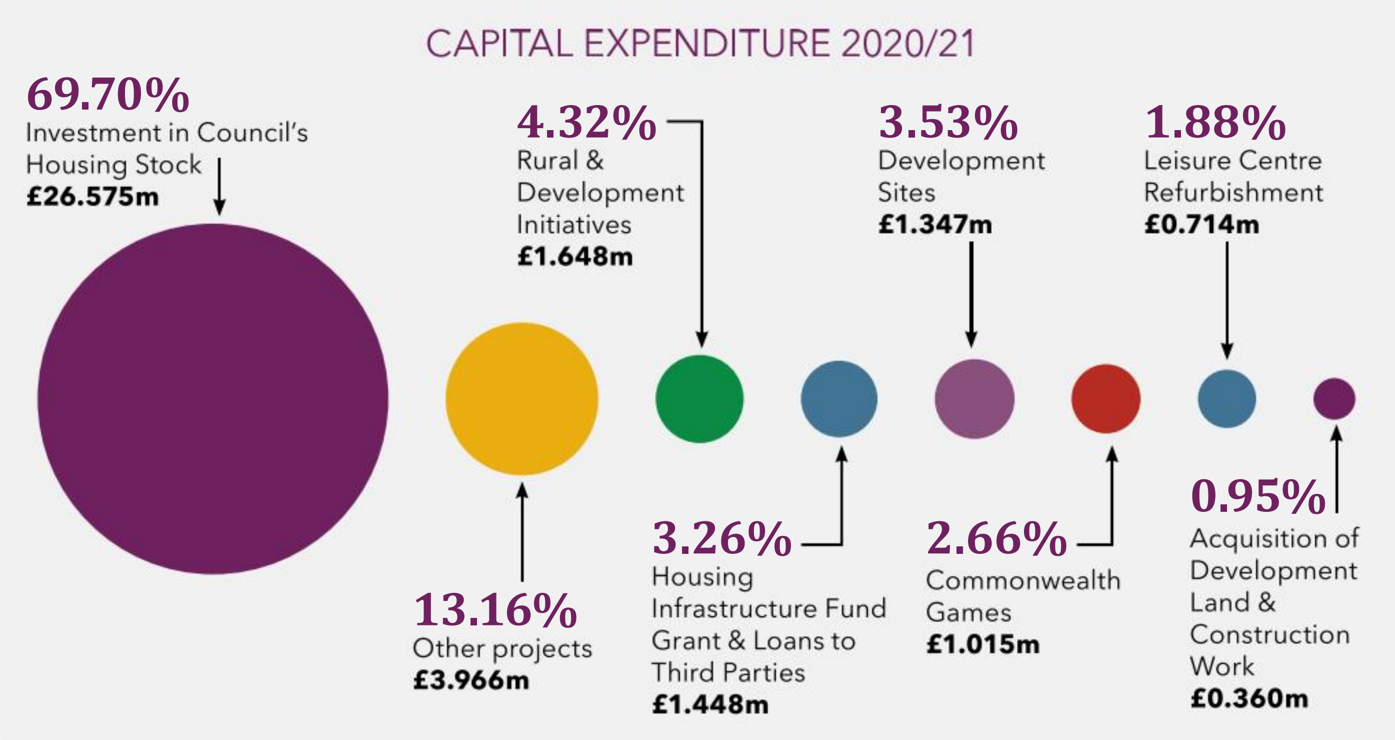
The Council has an ambitious five year capital programme: it is planning to spend £165.164m over this period. This investment will deliver a range of objectives including:

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

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

The 2020/21 total capital budget of £25.391m was approved at the Council Meeting on 26 February 2020. This was subsequently revised to £78.646m with the addition of re-profiled expenditure from the previous financial year and further approvals in the year. Actual capital expenditure for 2020/21 was £44.760m (£28.384m 2019/20). The charts below detail this expenditure and the accompanying financing.

Capital Programme 2020/21



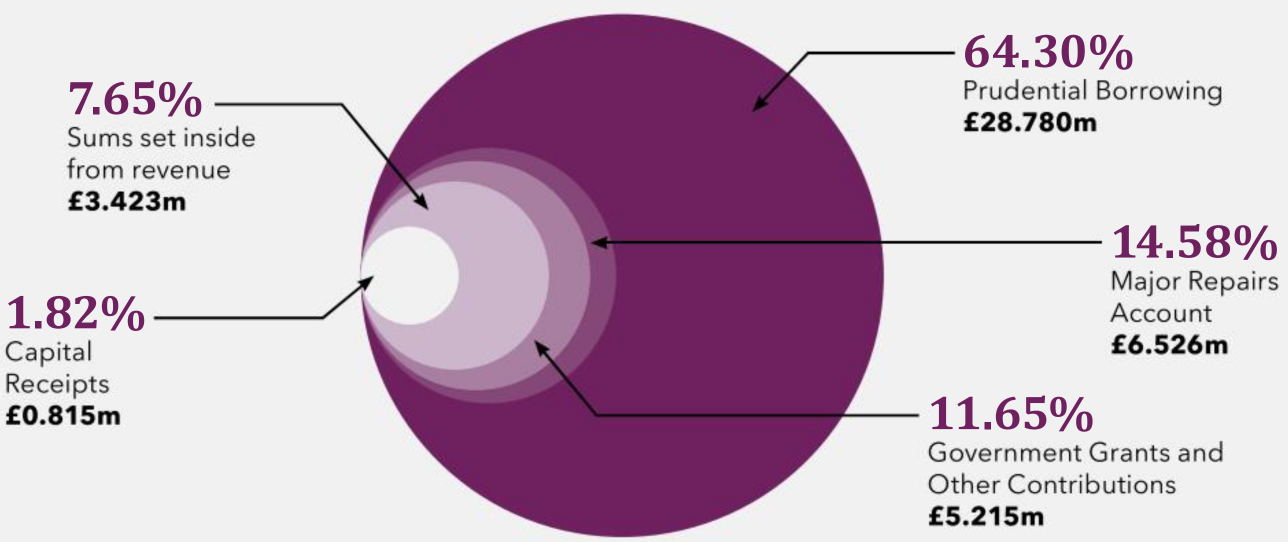
The expenditure analysis by portfolio, together with explanations of major project variances occurring in 2020/21 is shown in the tables below.

Capital Expenditure 2020/21	Latest Budget £000	Actual £000	Variation £000
Culture	3,349	3,196	(153)
Development Services and Business	7,489	3,763	(3,726)
Finance	160	135	(25)
Health and Community Protection	1,272	1,081	(191)
Neighbourhood Services	3,072	1,303	(1,769)
Strategic Leadership	939	799	(140)
Total Other Services Expenditure	**16,281**	**10,277**	**(6,004)**
New Build/Reprovision of Housing	11,858	7,874	(3,984)
Improvements/Renewals	50,507	26,608	(23,899)
Total HRA Related Housing Investment Programme (HIP)	**62,365**	**34,482**	**(27,883)**
TOTAL Capital Expenditure	**78,646**	**44,759**	**(33,887)**

CAPITAL EXPENDITURE VARIANCES 2020/21

Major variances caused by:	
Development Services and Business	**Kenilworth School HIP Grant:** Delay in purchase of site for new school -£3.430m **Kenilworth Wardens Relocation:** Slower progress made -£0.12m **2nd Warwick Sea Scouts HQ:** Delay in project as waiting for grant funding confirmation -£0.088m **Community Stadium:** Delays in demolishing cottages -£0.1m
Health and Community Protection	**Health & Community IT System:** Delay in awarding contract -£0.91m
HRA Related HIP	**New Build:** Delays to purchase of land -£10.733m and handover of constructed properties -£11.611m **Roof Covering:** Additional works required upon stock inspection £0.327m **Fire Safety Works:** Additional electrical, door and window works on medium to high rise properties £2.009m
Neighbourhood Services	**Tach Brook Country Park:** Late award of contract -£0.255m **Waste Depot Costs:** Scheme continuing into 21/22 and project reprofiled -£0.5m **Waste Vehicles:** Delays in delivery of some vehicles due to extended manufacturing timescales -£0.8m
Strategic Leadership	**CCTV Replacement System:** Delay in project -£0.391m

CAPITAL FINANCING 2020/21



Key Strategic Partnerships

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

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

Governance Framework

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

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

Visit our website for further information.

The Accounts and Audit Regulations 2015 require the Council to conduct a review, at least annually, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The Council's 2020/21 Annual Governance Statement is included in the Financial Statements.

Corporate Risks

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

Key risks currently identified include:

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

Future Opportunities

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

LEAMINGTON HIGH STREET

The Council has been successful in its expression of interest to the Government's Future of the High Street Fund for its vision to revitalise Leamington Town Centre. We are now developing proposals, including a range of linked projects focusing on the area either side of Victoria Bridge. We have awarded a £10.015m Grant from the Future High Street Fund, this will directly provide a significant investment to support these projects, with the opportunity to lever in additional funding from other sources.

TACH BROOK COUNTRY PARK

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

KENILWORTH MULTI ACADEMY TRUST / SOCIAL HOUSING

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

EUROPA WAY

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

Content and Format of the Statement of Accounts

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

STATEMENTS OF RESPONSIBILITIES

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

CORE FINANCIAL STATEMENTS

The Statement of Accounts comprise four core financial statements:

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

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

AUDITOR'S REPORT

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

MAIN CHANGES TO THE CORE STATEMENTS AND SIGNIFICANT TRANSACTIONS 2020/21

There are no significant changes to the 2020/21 Statement of Accounts.

STATEMENT OF ACCOUNTING POLICIES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

SUPPLEMENTARY STATEMENTS

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

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

RECEIPT OF FURTHER INFORMATION

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

ACKNOWLEDGEMENTS

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

Mike Snow C.P.F.A.
Head of Finance
Warwick District Council
Riverside House, Milverton Hill
Royal Leamington Spa
Warwickshire, CV32 5HZ

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

The Section 151 Officer's Responsibilities

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

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

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

The Head of Finance has also:

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

I certify that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2021, and its income and expenditure in the year ended 31 March 2021.

29 October 2021

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

Approval of Statement of Accounts

Statement of Accounts approved at the Warwick District Council Finance and Audit Scrutiny Committee meeting held on 3 November 2021.

Chair of the Meeting
Councillor Nicholls

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2019/20			Portfolio:		2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
1,517	(1,917)	(400)	Assets		1,226	(2,347)	(1,121)
28,194	(26,508)	1,686	Benefits & Customer Services		25,759	(24,058)	1,701
5,484	(2,584)	2,900	Cultural Services		4,307	(867)	3,440
6,685	(3,353)	3,332	Development Services		5,834	(2,900)	2,934
1,154	(52)	1,102	Finance		1,413	(142)	1,271
3,699	(564)	3,135	Health & Community Protection		4,482	(563)	3,919
19,270	(28,122)	(8,852)	Housing Revenue Account		19,150	(28,767)	(9,617)
3,248	(1,707)	1,541	Housing Services - General Fund		3,566	(2,232)	1,334
63	(76)	(13)	ICT		190	(53)	137
10,496	(4,235)	6,261	Neighbourhood Services		10,751	(3,259)	7,492
46	(46)	-	People and Communication		234	(30)	204
6,686	(818)	5,868	Strategic Leadership		4,352	(5,442)	(1,090)
86,541	**(69,981)**	**16,560**	**Cost of Services - continuing operations**		**81,264**	**(70,660)**	**10,604**
2,580	(1,243)	1,337	Other Operating Income and Expenditure	10	2,719	(756)	1,963
8,858	(1,781)	7,077	Financing and Investment Income and Expenditure	11	6,878	(2,630)	4,248
-	(24,969)	(24,969)	Taxation and Non-Specific Grant Income and Expenditure	12	-	(30,721)	(30,721)
		5	**(Surplus) or Deficit on Provision of Services**				**(13,906)**
			Other Comprehensive Income and Expenditure:				
		(7,712)	(Surplus) or Deficit on revaluation of Non Current Assets	23			(11,030)
		827	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	23			1,764
		-	Surplus or deficit on revaluation of available for sale financial assets	23			-
		(12,123)	Remeasurement of the net defined benefit liability / (asset)	23			11,512
		(19,008)	**Other Comprehensive Income and Expenditure**				**2,246**
		(19,003)	**Total Comprehensive Income and Expenditure**				**(11,660)**

MOVEMENT IN RESERVES STATEMENT

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

2020/21	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 carried forward	**23,073**	**26,937**	**7,257**	**6,500**	**2,147**	**65,914**	**325,655**	**391,569**
Movement in reserves during 2020/21								
Total Comprehensive Income and Expenditure	8,212	5,694	-	-	-	13,906	(2,246)	11,660
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	4,918	(1,679)	573	(506)	2,861	6,167	(6,153)	14
Increase / (Decrease) in 2020/21	**13,130**	**4,015**	**573**	**(506)**	**2,861**	**20,073**	**(8,399)**	**11,674**
Balance at 31 March 2021 carried forward	**36,203**	**30,952**	**7,830**	**5,994**	**5,008**	**85,987**	**317,256**	**403,243**

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019 carried forward	**20,813**	**32,295**	**8,509**	**8,099**	**872**	**70,588**	**301,967**	**372,555**
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	(5,549)	5,544	-	-	-	(5)	19,008	19,003
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	7,809	(10,902)	(1,252)	(1,599)	1,275	(4,669)	4,680	11
Increase / (Decrease) in 2019/20	**2,260**	**(5,358)**	**(1,252)**	**(1,599)**	**1,275**	**(4,674)**	**23,688**	**19,014**
Balance at 31 March 2020 carried forward	**23,073**	**26,937**	**7,257**	**6,500**	**2,147**	**65,914**	**325,655**	**391,569**

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

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

31 March 2020		Note	31 March 2021
£'000			£'000
	Operational Assets:		
402,119	Council Dwellings		411,124
8,016	HRA Land and Buildings		7,967
73,262	Other Land and Buildings		73,460
3,510	Vehicles, Plant, Furniture and Equipment		4,315
1,961	Infrastructure Assets		3,368
7,703	Community Assets		7,687
	Non-Operational Assets		
275	Surplus Assets		1,623
5,534	Assets under Construction		32,477
502,380	**Property, Plant and Equipment**	**13**	**542,021**
9,005	Heritage Assets	14	9,035
10,234	Investment Properties	15	10,035
43	Intangible Assets		250
5,122	Long Term Investments	16	6,641
6,809	Long Term Debtors	16	7,024
533,593	**Long Term Assets**		**575,006**
36,158	Short Term Investments	16	19,513
86	Assets Held for Sale	17	-
16	Inventories		16
6,365	Short Term Debtors	18	23,945
30,113	Cash and Cash Equivalents	20	28,390
72,738	**Current Assets**		**71,864**
(14,090)	Short Term Creditors	21	(33,491)
(2,370)	Provision Liabilities payable in less than 1 year	22	(904)
(16,460)	**Current Liabilities**		**(34,395)**
(153)	Long Term Creditors		(153)
(3,286)	Provision Liabilities payable in more than 1 year	22	(3,331)
(148,157)	Long Term Borrowing	16	(148,157)
(30)	Other Long Term Liabilities	16	(12)
(5,786)	Capital External Grants/Contributions in Advance	33	(7,733)
(40,891)	Net Pensions Liability	38	(49,846)
(198,303)	**Long Term Liabilities**		**(209,232)**
391,568	**Net Assets**		**403,243**
65,913	Usable Reserves	32	85,987
325,655	Unusable Reserves	23	317,256
391,568	**Total Reserves**		**403,243**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income, or from the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

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2019/20 £'000		Notes	2020/21 £'000
5	Net (Surplus) or deficit on the provision of services		(13,906)
(16,305)	Adjust net (surplus) or deficit on the provision of services for non cash movements	24	(11,284)
6,215	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	24	10,541
(10,085)	**Net cash flows from Operating Activities**		**(14,649)**
16,514	Investing Activities	25	13,634
(9,176)	Financing Activities	26	2,738
(2,747)	**Net (increase) or decrease in cash and cash equivalents**		**1,723**
(27,366)	Cash and cash equivalents at the beginning of the reporting period		(30,113)
(30,113)	**Cash and cash equivalents at the end of the reporting period**		**(28,390)**

1. Accounting Policies

General Principles

The content, layout and general rules used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2020/21 issued by the Chartered Institute of Public Finance, and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Basis of Preparation

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

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

Accruals of Income and Expenditure

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

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date when supplies are received and their consumption, they are carried as inventories on the balance sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments, and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows or determined by the contract.

- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de-minimis limit of £10k for non-system generated accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Where system generated accruals are created when revenue and expenditure have been recognised, but cash has not been received, or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet, a de-minimis limit is not applicable. In a similar fashion to non-system generated accruals; where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to the above rule include:

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

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

- Expenditure items funded from grants and reserves.

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

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Council Tax and Non-Domestic Rates

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

<u>Accounting for Council Tax and NDR</u>

The council tax and NDR income in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The liabilities of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis, using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (2.3% in 2019/20) at the IAS19 valuation date.

The assets of the Warwickshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pension's liability is analysed into the following components:

Service Cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities arising from scheme amendment, or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- Net interest on the net defined liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Warwickshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

Fair Value

Fair Value Measurement

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings at fair value, at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell or transfer the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for an asset or liability.

The authority measures fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques, that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities, for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within the Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Financial Instruments

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For any borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost.
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 months expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset, are credited or debited to the Financing and Investment Income and Expenditure in the CIES.

Soft Loans under Financial Instruments

Any loans made by the Council at less than market rates are called “soft loans”. It has been determined that the few soft loans that the Council has e.g. car loans to employees or loans to private householders for disabled adaptations, require no adjustment to the accounts as they are de-minimis.

Government Grants and Contributions

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis, and recognised in the Comprehensive Income and Expenditure Statement as income, except where the grant or contribution has conditions that have not been satisfied. General Grants and contributions (e.g. the Revenue Support Grant) are included in the Comprehensive Income and Expenditure Statement as non-ring-fenced Government grants. Specific grants and contributions are included as income for the relevant service area.

Where a grant or contribution has conditions outstanding at the Balance Sheet date the grant is held either as a receipt in advance, if not fulfilling the conditions would result in the return of the grant, or as an earmarked reserve.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. Unapplied grant is posted to the Capital Grants Unapplied Reserve; applied grant is posted to the Capital Adjustment Account.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy, with the exceptions of amounts applied to meet administrative expenses in accordance with the CIL Regulations, will be used to fund a number of infrastructure projects to support the development of the area (these include transport, schools and digital infrastructure). Where some or all a chargeable development takes place in a parish area, 15% of the income is passed to the relevant parish/town council – the Council acts as an agent for these amounts.

CIL is received without outstanding conditions. It is, therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for Government Grants and Contributions.

Heritage Assets

Heritage assets are assets that have historical, artistic, scientific, technological, geographical or environmental qualities that are held in trust for future generations because of their cultural, environmental or historical associations and contribution to knowledge and culture. They include museum collections, historic buildings and public works of art.

Recognition and Measurement
Heritage assets are held at fair value. High value items are valued by an appropriately qualified person. Low value items are held at an internally agreed nominal value of £50.

Heritage assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end but as a minimum every five years. Increases and decreases in valuations are accounted for in accordance with the Council's policies for the revaluation of Property, Plant and Equipment as set out in the Property, Plant and Equipment section of the Accounting Policies Note.

Heritage assets that are used in the on-going delivery of the Council's services, such as parks and open space are not categorised as heritage assets, but are classified as operational assets within Property, Plant and Equipment, and are accounted for in accordance with the Council's accounting policies.

Depreciation, Amortisation and Impairment
Depreciation and amortisation are not required on heritage assets that are deemed to have indeterminate lives. Depreciation is charged on heritage assets with a determinate life using a straight-line allocation basis over the useful life of the asset, as estimated by the valuer or a suitably qualified officer.

The carrying amount of an item is reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration, breakage or doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general accounting policies on impairment set out in these statements.

Disposal

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts as set out the Council's general accounting policies in these statements.

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the Council. All other leases are classified as operating leases.

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services using the leased asset. Charges are made on a straight-line basis over the life of the lease.

The Council as Lessor

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. Where identifiable, initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, except for:

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

Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

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

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

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

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

For accounting purposes, the Council has the following de-minimis limits in relation to capital expenditure:

- On land and buildings - £20,000
- On vehicles, plant, or equipment - £5,000.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) and Assets Under Construction - depreciated historical cost.
- Housing Stock (Dwellings) – current value determined using the basis of existing use value for social housing (EUV-SH)
- Council Offices – current value, determined as the amount that would be paid for the asset in existing use (EUV)
- All other assets – current value determined as the amount that would be paid for the asset in its existing use (EUV)
- Surplus Assets – current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets i.e. vehicles, plant and equipment have short useful lives, or low values (or both), depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment loss previously charged to a service.

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:
- Council Houses – component depreciation method,

- Other buildings – straight line allocation over the useful life of the property as estimated by the valuers.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful asset life as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over 40 years or as appropriate to the relevant asset.
- Community Assets – Straight line allocation over a maximum life of 100 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The policy adopted is as follows:

- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be grouped together for deprecation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Any future revaluation gains and losses will be applied across components as appropriate.

Housing Revenue Account

- Council Dwellings - Depreciation is calculated and charged in accordance with proper practices including separation of the housing stock into significant components for depreciation purposes, where the components have different useful lives to the remainder of the asset.
- Other Housing Revenue Account Assets – the approach outlined below for General Fund assets will be adopted.

General Fund

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes. The Council applies a de-minimis threshold for componentisation purposes: all assets with a Current Net Book Value of less than £500,000 will not be assessed for componentisation on the grounds that the difference in depreciation will be limited.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification at existing use value (EUV) and then carried at the lower of this amount and fair value i.e. market value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement thus calculating the gain or loss on the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of the £10,000 capital receipts de-minimis limit are categorised as capital receipts. Under the 'Self Financing' regime receipts relating to housing disposals are shared between the Council and Government. The Council's share of the receipt is required to be credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

The Council puts amounts of money aside as a provision to meet specific service payments. For these amounts to count as provisions, they need to pass three tests:

- They must be the result of a past event
- A reliable estimate can be made
- There must be a clear responsibility to make this future payment because of the past event.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council becomes aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement at the Balance Sheet date. When payments are made, they are charged to the provision already set up in the Balance Sheet.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirements, and employee benefits, and do not represent usable resources for the Council.

Revenue Expenditure Funded from Capital Under Statute

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

Value Added Tax (VAT)

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

Apprenticeship Levy

From 1 April 2017, the Council has made payments to HMRC in relation to the national Apprenticeship Levy. The full cost of the Levy will be recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement when it is paid to HMRC. When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the Comprehensive Income and Expenditure Statement against the service benefiting from the training.

Rounding

Values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

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

At the Balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

IFRS 16 Leases: - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The Council has a small number of operational leases in place which will be assessed in preparation of this new accounting treatment, but it is not anticipated these changes will have a material impact on the financial statements. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 2022/23 and will apply from 1 April 2022.

Interest Rate Benchmark Reform phase 1 and 2: - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relate to issues that if an existing rate is replaced by an alternative rate. This will not affect the Council as the Council's debt is fixed rate and the Council's investments are in sterling and low risk.

Other Changes

Annual Improvements to IFRS Standards 2018 – 2020 Cycle: - makes minor amendments, principally providing clarification, to a number of accounting standards: (i) IFRS 1, First time Adaptation of IFRS (ii) IFRS 9, Financial Instruments, (iii) IFRS 16, Leases.

3. Critical Judgements in Applying Accounting Policies

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

- Uncertainty around future funding levels is not yet sufficient to provide an indication that assets of the Council might be impaired because of the need to close facilities and reduce levels of service provision.
- The Council has entered joint ventures with PSP Warwick LLP and Waterloo Housing Association. An assessment has been undertaken of the relationship with these parties. There is a group relationship with PSP Warwick LLP but transactions during 2020/21 were not considered material for the Council so group accounts have not been prepared. Instead, a disclosure has been included in the Related Parties Note. There was no group relationship with Waterloo Housing Association.
- All the Council's Investment Properties were revalued in 2020/21 and as such it is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. The properties were revalued using direct observation of the passing rents on similar properties within the local property market and this equates to a level 2 input according to our valuers Carter Jonas.
- The balance sheet values for the Council's housing stock and other Housing Revenue Account non-current assets, with the exception of equipment and work in progress, are based on a valuation date of 31 March 2021 as these assets are revalued every year for HRA business plan purposes.
- During 2017/18 the Council invested £6m in two Corporate Equity Funds which at 31 March 2021 were valued at £6.641m, an increase of £1.519m over the 31 March 2020 position, and reflecting an increase of £0.641m in the original value invested but representing a reduction of £0.095m in capital value after allowance for dividends taken by the General Fund. As they are not regularly traded, the funds were valued in terms of fair value on a Level 2 basis. However, the underlying assets within the funds are regularly valued in an active market and can be considered to be valued on a Level 1 basis, thereby giving reassurance as to the accuracy of the year end valuation of £6.641m. The Council has taken a long term position in relation to these funds and is not aware of any issues, financial or otherwise, that are likely to result in a long term loss of value, although it is seeking to divest from fossil fuels (a composite element of such funds) at the earliest opportunity. Previously, the changes in capital value would have impacted on the General Fund but for 2020/21 and the subsequent two years, the movements in the capital value of both funds have been taken to the Financial Instruments Revaluation

Reserve, which has been statutorily introduced in order to ensure that any changes in capital value do not impact on the General Fund.

- During 2020/21, the Council made long term loans for capital expenditure amounting to £0.350m to various organisations. Due diligence was carried out to ensure that the borrowers' capacity to repay the loans plus interest in a timely manner was adequate. The Council has assessed the impact of COVID-19 and does not believe that this issue requires the loans to be impaired.

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

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment - Asset Life	Assets are depreciated by type over standardised useful lives. These lives are dependent on the individual asset condition and assumptions about the level of repairs and maintenance that will be incurred.	Were the asset valuations to differ from those included within the Statement of Accounts, the carrying amount of the asset would change as follows: 2% £9.857m 5% £24,641m 10% £49.283m Currently, the Revaluation Reserve balance is £110.544m, which would change by the amount of any respective movement in valuation.
Property, Plant and Equipment - Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £225k for every year that the useful lives had to be reduced.
Arrears	At 31 March 2021, the Council had a balance of arrears of Housing Rents, Council Tax, Business Rates and other sundry debtors of £8m. A review of the above suggested that an impairment of doubtful debts of 42.06% (£3.36m) 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 £3.36m to be set aside as an allowance.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	The Council has made provisions for insurance cover in respect of outstanding liability claims from the public, employees and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31 March 2021 where such excesses have been negotiated when agreeing premiums. Following the introduction of the retention of business rates scheme new provisions have been created to provide for the potential successful appeals against rateable values.	An increase over the forthcoming year of 10% in settlements would have the effect of adding £237k to the provisions 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. Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all Warwickshire authorities with expert advice about the assumptions to be applied.	The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis. The actuaries model thousands of possible outcomes in order to establish the long-term estimates The Council will use information from the Pensions actuary to set the employer's pension contribution rates to ensure that pension liabilities are met. A sensitivity analysis upon other variables affecting the net liability is set out in Note 38 Defined Benefit Pension Schemes.

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

5. Events After the Reporting Period

Events taking place after the Reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. The Statement of Accounts will be authorised for issue by the Head of Finance on 16 July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events took place before this date, provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 31 March 2021 there are three key events after the Reporting Period for the Council to disclose.

Materials Recycling Facility.
On the 1 April 2021, the Council entered into a number of key legal agreements including but not limited to the Shareholders Agreement and Loan Facility Agreement in relation to Sherbourne Recycling Limited (SRL)- this is a cross-authority owned Materials Recycling Facility designed to process each authority's kerbside collected recyclate. As one of eight shareholders, Warwick District Council made an equity investment of £0.099m for their 9.88% share in SRL.

Over the course of the next 24 months, SRL will draw down the loan facility with Warwick District Council for a maximum amount of £5.661m, scheduled based on the payment of milestones by civils, process equipment and other contractors involved in the construction and operation of the company.

All interest accrued during this construction phase will be capitalised and added to the principal at the end of construction phase. Once operational the principal and interest will be repaid over the next 25 years in line with the terms of the Loan Facility Agreement. The facility is due to be operational from mid-2023

Warwick District Council has entered into a Financial Payment Guarantee with each contractor on behalf of SRL (the "Company"); to guarantee the company's obligation to pay each contractor for the works to be provided under each respective contract. Each Partner Council has agreed by entering into the Shareholder's Agreement, that they will indemnify Warwick District Council for any loss or liability arising under or in connection with the Financial Payment Guarantee in proportion with their respective shareholding.

Going forward, SRL will be included in the Council's accounts accordingly, based on Warwick District Council's 9.88% of the Shared Capital.

PSP Warwick LLP.
On 13th May 2021, PSP Facilitating Limited and Warwick District Council formally agreed a settlement relating to dissolving the Partnership (PSP LLP) and terminating the project. A payment of £500,000 has been agreed, and now paid by Warwick District Council to PSP Facilitating Limited as part of this settlement and is subject to a number of conditions relating to any potential future disposal of the Riverside House and Covent Garden sites.

Non-Adjusting Event - Crewe Lane LLP.
The Council issued 4 loans of varying terms (detail set out below) in the total value of £50m to Crewe Lane Kenilworth JV LLP (Company number OC426015) on the 27th August 2021 to facilitate the construction of 620 dwellings in Kenilworth. Crewe Lane LLP is a 50/50 Joint Venture housing delivery vehicle between Milverton Homes Limited (Company Number 13123477) and Vistry Partnerships Limited (Company Number 00800384).

A further £10m in loans is scheduled to be issued in April 2022. These transactions have no financial impact on the Council's 2020/21 Financial Statements as they occurred after the 2020/21 reporting period ending in March 2021 but have been disclosed due to the material nature of the scheme.

All loan interest and capital repayments will be serviced by and are the liability of Crewe Lane Kenilworth JV LLP and financial security has been put in place in line with legal and financial advice. The interest payable to the Council is charged at a commercial rate and any surpluses will be retained by the Council to support service operation.

Further, 248 affordable and social housing dwellings will be constructed and sold to the Council's HRA in phases, over a period ending in approximately 2028.

6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2020/21		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Portfolio:	£'000	£'000	£'000
Assets	(1,504)	383	(1,121)
Benefits & Customer Services	1,579	122	1,701
Cultural Services	2,665	775	3,440
Development Services	2,023	911	2,934
Finance	2,989	(1,718)	1,271
Health & Community Protection	1,899	2,020	3,919
Housing Services - HRA	(8,537)	(1,080)	(9,617)
Housing Services - General Fund	1,206	128	1,334
ICT	(51)	188	137
Neighbourhood Services	6,768	724	7,492
People and Communication	136	68	204
Strategic Leadership	(1,687)	597	(1,090)
Net Costs of Services	**7,486**	**3,118**	**10,604**
Other Income and Expenditure	(28,213)	3,703	(24,510)
(Surplus) or Deficit	**(20,727)**	**6,821**	**(13,906)**

Opening General Fund and HRA Balance	**(50,010)**
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance in Year	(17,148)
Closing General Fund and HRA Balance at 31 March	**(67,158)**

	2019/20		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Portfolio:	£'000	£'000	£'000
Assets	(1,050)	650	(400)
Benefits & Customer Services	1,373	313	1,686
Cultural Services	2,118	782	2,900
Development Services	1,699	1,633	3,332
Finance	2,403	(1,301)	1,102
Health & Community Protection	2,414	721	3,135
Housing Services - HRA	1,083	(9,935)	(8,852)
Housing Services - General Fund	1,298	243	1,541
ICT	(322)	309	(13)
Neighbourhood Services	5,846	415	6,261
People and Communication	(170)	170	-
Strategic Leadership	2,552	3,316	5,868
Net Costs of Services	**19,244**	**(2,684)**	**16,560**
Other Income and Expenditure	(16,146)	(409)	(16,555)
(Surplus) or Deficit	**3,098**	**(3,093)**	**5**

Opening General Fund and HRA Balance	**(53,108)**
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance in Year	3,098
Closing General Fund and HRA Balance at 31 March	**(50,010)**

Note to the Expenditure and Funding Analysis:

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	Adjustments between Funding and Accounting Basis			2020/21
	(Note 1)	(Note 2)	(Note 3)	
	£000	£000	£000	£000
Assets	284	95	4	383
Benefits & Customer Services	-	121	1	122
Cultural Services	694	83	(2)	775
Development Services	709	198	4	911
Finance	(1,803)	82	3	(1,718)
Health & Community Protection	1,902	118	-	2,020
Housing Services - HRA	(1,268)	180	8	(1,080)
Housing Services - General Fund	57	69	2	128
ICT	122	65	1	188
Neighbourhood Services	633	92	(1)	724
People and Communication	11	55	2	68
Strategic Leadership	527	68	2	597
Net Cost Of Services	**1,868**	**1,226**	**24**	**3,118**
Other income and expenditure from the Expenditure and Funding Analysis	(3,343)	971	6,075	3,703
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(1,475)**	**2,197**	**6,099**	**6,821**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	Adjustments between Funding and Accounting Basis			2019/20
	(Note 1)	(Note 2)	(Note 3)	
	£000	£000	£000	£000
Assets	(397)	(248)	(4)	(649)
Benefits & Customer Services	58	(371)	-	(313)
Cultural Services	(481)	(300)	(2)	(783)
Development Services	(1,046)	(584)	(3)	(1,633)
Finance	1,325	(22)	(3)	1,300
Health & Community Protection	(343)	(378)	(1)	(722)
Housing Services - HRA	10,362	(428)	1	9,935
Housing Services - General Fund	(58)	(183)	(2)	(243)
ICT	(112)	(194)	(1)	(307)
Neighbourhood Services	(109)	(306)	-	(415)
People and Communication	(17)	(150)	(3)	(170)
Strategic Leadership	(3,131)	(185)	-	(3,316)
Net Cost Of Services	**6,051**	**(3,349)**	**(18)**	**2,684**
Other income and expenditure from the				
Other income and expenditure from the Expenditure and Funding Analysis	5,281	(1,199)	(3,673)	409
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**11,332**	**(4,548)**	**(3,691)**	**3,093**

Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on the disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Changes for the Pensions Adjustments

2 Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Differences

3 Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be receivable at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income

Income received on a segmental basis is analysed below:

Portfolio	2020/21 Income from Services £000	2019/20 Income from Services £000
Assets	2,335	1,908
Benefits & Customer Services	237	453
Cultural Services	592	2,584
Development Services	2,863	3,146
Finance	142	52
Health & Community Protection	495	525
Housing Services - HRA	28,417	27,872
Housing Services - General Fund	481	412
ICT	53	76
Neighbourhood Services	3,259	4,235
People and Communication	30	46
Strategic Leadership	593	745
Total income analysed on a segmental basis	**39,497**	**42,054**

7. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2020/21 £000	2019/20 £000
Expenditure		
Employee benefits expenses	21,417	23,489
Other services expenses	49,233	53,928
Depreciation, amortisation and impairment	12,502	13,095
Interest payments	4,990	4,888
Precepts and Levies	1,758	1,619
Payments to Housing Capital Receipts Pool	961	961
Total Expenditure	**90,861**	**97,980**
Income		
Fees, charges and other service income	(39,497)	(42,054)
Gain on the disposal of assets	(2,065)	(1,243)
Interest and investment income	(794)	(1,228)
Income from Council Tax and Business Rates	(5,490)	(13,172)
Government grants and contributions	(56,921)	(40,278)
Total Income	**(104,767)**	**(97,975)**
Surplus or Deficit on the Provision of Services	**(13,906)**	**5**

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

The General Fund Balance summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, the balance is not available for funding Housing Revenue Account services.

Housing Revenue Account Balance

The Housing Revenue Account Balance contains the balance of income and expenditure as defined by the Part VI of the Local Government and Housing Act 1989 that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve. This reserve can be used to fund capital expenditure to help maintain or improve HRA assets or repay HRA debt.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets that are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which there are no conditions or the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2020/21	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(1,879)	(319)	-	-	-
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(7,385)	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(16)	(8)	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	1,310	-	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,577)	(1,495)	-	-	738
Total Adjustments to the Revenue Account	**(10,547)**	**(1,822)**	**-**	**-**	**738**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2)	2,332	(2,346)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(961)	-	961	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	-	-	(6,021)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,992	1,169	-	-	-
Total Adjustments between Revenue and Capital	**2,029**	**3,501**	**(1,385)**	**(6,021)**	**-**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	812	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	6,527	-
Application of capital grants unapplied credited to the CIES	3,600	-	-	-	(3,599)
Total Adjustments to Capital Resources	**3,600**	**-**	**812**	**6,527**	**(3,599)**
Total Adjustments	**(4,918)**	**1,679**	**(573)**	**506**	**(2,861)**

2019/20	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(3,966)	(582)	-	-	-
■ Financial instruments (transferred to the Financial Instruments Adjustments Account)	-	-	-	-	-
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(2,568)	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(19)	1	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	(1,105)	-	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,776)	(1,040)	-	-	438
Total Adjustments to the Revenue Account	**(11,434)**	**(1,621)**	**-**	**-**	**438**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	155	3,152	(3,350)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(961)	-	961	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	-	-	(6,025)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,718	9,371	-	-	-
Total Adjustments between Revenue and Capital	**1,912**	**12,523**	**(2,389)**	**(6,025)**	**-**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital	-	-	3,641	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	7,624	-
Application of capital grants to finance capital expenditure	1,713	-	-	-	(1,713)
Cash payments in relation to deferred capital receipts	-	-	-	-	-
Total Adjustments to Capital Resources	**1,713**	**-**	**3,641**	**7,624**	**(1,713)**
Total Adjustments	**(7,809)**	**10,902**	**1,252**	**1,599**	**(1,275)**

9. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21:

	Balance at 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31/03/2021
	£000	£000	£000	£000
General Fund:				
Art Fund Reserve				-
Art Gallery Gift Reserve	132	-	0	132
Building Control Reserve	302	-	66	368
Business Rate Retention Volatility Reserve	7,522	-	10,588	18,110
Capital Investment Reserve	1,153	(47)	150	1,256
Car Park Displacement Reserve	485	-	-	485
Car Parks Repairs & Maintenance Reserve	201	(62)	-	139
Cemetery Land Purchase Reserve	16	-	12	28
Climate Change Reserve				-
Commonwealth Games Reserve	48	(203)	155	-
Community Forums Reserve	-	-	-	-
Community Projects Reserve	1,919	(709)	-	1,210
Corporate Assets Reserve	1,174	(229)	456	1,401
Covent Garden Multi Storey Reserve	900	-	-	900
Digital by Default Reserve	130	(120)	77	87
Earmarked Balances Reserve	732	(732)	1,416	1,416
Election Expenses Reserve	5	-	35	40
Energy Management Reserve				-
Enterprise Projects Reserve	238	-	-	238
Equipment Renewals Reserve	684	(54)	-	630
G M Commuted Sums Reserve	390	(57)	1,079	1,412
GF Early Retirements Reserve	58	(73)	15	-
Harbury Lane Reserve	84	-	-	84
Hill Close Gardens Reserve	-	-	-	-
Homelessness Prevention Reserve	559	-	226	785
ICT Replacement Reserve	94	(212)	250	132
Insurance Reserve	274	-	-	274
Investment Volatility Reserve	100	-	-	100
Leisure Options Reserve	26	(1)	370	395
Local Plan Delivery Reserve	44	()	-	44
Newbold Bench Donation Reserve	-	-	10	10
Planning Investment Reserve	111	(401)	291	-
Planning Appeal Reserve	475	(24)	58	509
Public Amenity Reserve	105	(2)	140	244
Public Open Space Planning Gain Reserve	462	(59)	27	430
Rent Bond Scheme Reserve				-
Revenue Grants / Contributions Received in Advance	419	(189)	116	345
Right to Bid Reserve				-
Right to Challenge Reserve				-
Riverside House Maintenance Reserve	-	-	-	-
Services Transformation Reserve	1,087	(1,519)	2,064	1,632
Tourism Reserve	27	-	-	27
TOTAL GENERAL FUND	**19,955**	**(4,694)**	**17,602**	**32,862**
HRA:				
HRA Capital Investment Reserve	25,322	(1,186)	4,359	28,495
HRA Early Retirements Reserve	21	-	-	21
HRA Rev Grants/Contribs In Advance Reserve	10	(18)	18	10
HRA Earmarked Reserves	40	(40)	650	650
HRA Rough Sleeping Initiative	61	-	201	262
TOTAL HRA	**25,454**	**(1,244)**	**5,229**	**29,439**
TOTAL EARMARKED RESERVES	**45,408**	**(5,938)**	**22,830**	**62,301**

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

Business Rates Volatility Reserve: Used to provide finance for "smoothing out" future retained Business Rate revenues.

Corporate Assets Reserve: Used to finance improvements and also major repairs and maintenance to the Council's General Fund property assets.

Community Projects Reserve: This reserve provides finance for various District-wide community projects.

Earmarked Balances Reserve: This reserve contains unspent budgets relating to specific items which require to be transferred from 2020/21 to 2021/22 due to unavoidable delays etc.

Capital Investment Reserve: Used to provide finance for the Council's General Fund capital programme not met by other resources e.g. borrowing, capital receipts, revenue contributions, external contributions and other reserves.

HRA Capital Investment Reserve: Used to finance significant council housing projects, including building or acquiring new council homes.

10. Other Operating Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£000	£000	£000		£000	£000	£000
1,619	-	1,619	Parish Council Precepts	1,758	-	1,758
961	-	961	Payments to Govt. Housing Capital Receipts Pool	961	-	961
-	(1,243)	(1,243)	(Gain) or loss on the disposal of non-current assets	-	(756)	(756)
2,580	**(1,243)**	**1,337**	**Total**	**2,719**	**(756)**	**1,963**

11. Financing and Investment Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
£000	£000	£000		£000	£000	£000
4,888	-	4,888	Interest Payable and similar charges	4,990	-	4,990
1,199	-	1,199	Net Interest on the net defined benefit liability	971	-	971
-	(1,228)	(1,228)	Interest receivable and similar income	-	(794)	(794)
1,666	(553)	1,113	Income and expenditure in relation to investment properties and changes in their fair value	917	(526)	391
1,105	-	1,105	Financial Instrument Revaluations Income / Expenditure	-	(1,310)	(1,310)
8,858	**(1,781)**	**7,077**	**Total**	**6,878**	**(2,630)**	**4,248**

NOTES TO THE ACCOUNTS

12. Taxation and Non Specific Grant Income and Expenditure

Gross Income 2019/20 £000		Gross Income 2020/21 £000
(10,707)	Council Tax income	(11,185)
(6,077)	Non-ringfenced Government Grants	(17,983)
(2,464)	Non-domestic rates income and expenditure	5,695
(5,721)	Capital Grants and Contributions	(7,248)
(24,969)	**Total**	**(30,721)**

13. Property, Plant and Equipment

Movements on Balances

Movements in 2020/21	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
Cost or Valuation								
At 1 April 2020	**402,119**	**88,603**	**11,564**	**2,459**	**8,275**	**617**	**4,884**	**518,521**
Additions	7,584	1,783	1,365	1,469	31	1,347	26,943	**40,522**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,830	(1,435)	-	-	-	30	-	**1,425**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	82	(289)	-	-	-	-	-	**(207)**
Derecognition - disposals	(1,491)	-	-	-	-	-	-	**(1,491)**
Assets reclassified (to) / from Other Accounts	-	-	-	-	-	-	-	**-**
Other movements in cost or valuation				-	-		650	**650**
At 31 March 2021	**411,124**	**88,662**	**12,929**	**3,928**	**8,306**	**1,994**	**32,477**	**559,420**
Accumulated Depreciation and Impairment								
At 1 April 2020	**-**	**(7,325)**	**(8,054)**	**(498)**	**(572)**	**(342)**	**(5)**	**(16,796)**
Depreciation charge for year	(5,513)	(2,650)	(560)	(62)	(47)	(29)	-	**(8,861)**
Depreciation written out to the Revaluation Reserve	5,513	2,295	-	-	-	-	-	**7,808**
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	445	-	-	-	-	-	**445**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**
Other movements in depreciation and impairment	-	-	-	-	-	-	5	**5**
At 31 March 2021	**-**	**(7,235)**	**(8,614)**	**(560)**	**(619)**	**(371)**	**-**	**(17,399)**
Net Book Value								
31 March 2021	**411,124**	**81,427**	**4,315**	**3,368**	**7,687**	**1,623**	**32,477**	**542,021**
31 March 2020	**402,119**	**81,278**	**3,510**	**1,961**	**7,703**	**275**	**4,879**	**501,725**

Movements on Balances								
Movements in 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Property, Plant and Equipment £'000
Cost or valuation								
At 1 April 2019	**387,206**	**87,012**	**10,334**	**2,437**	**8,162**	**629**	**434**	**496,214**
Additions	14,934	1,097	1,230	22	113	-	5,411	**22,807**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	815	510	-	-	-	(12)	-	**1,313**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	890	17	-	-	-	-	-	**907**
Derecognition - disposals	(1,946)	(33)	-	-	-	-	-	**(1,979)**
Assets reclassified (to) / from Other Accounts	220	-	-	-	-	-	(306)	**(86)**
Other movements in cost or valuation	-	-	-	-	-	-	(655)	**(655)**
At 31 March 2020	**402,119**	**88,603**	**11,564**	**2,459**	**8,275**	**617**	**4,884**	**518,521**
Accumulated Depreciation and Impairment								
At 1 April 2019	**-**	**(4,641)**	**(7,599)**	**(436)**	**(524)**	**(313)**	**(5)**	**(13,518)**
Depreciation charge for year	(5,374)	(2,779)	(455)	(62)	(48)	(29)	-	**(8,747)**
Depreciation written out to the Revaluation Reserve	5,274	69	-	-	-	-	-	**5,343**
Depreciation written out to the Surplus / Deficit on the Provision of Services	100	26	-	-	-	-	-	**126**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**
At 31 March 2020	**-**	**(7,325)**	**(8,054)**	**(498)**	**(572)**	**(342)**	**(5)**	**(16,796)**
Net Book Value								
31 March 2020	**402,119**	**81,278**	**3,510**	**1,961**	**7,703**	**275**	**4,879**	**501,725**
31 March 2019	**387,206**	**82,371**	**2,735**	**2,001**	**7,638**	**316**	**429**	**482,696**

Depreciation

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

- Council houses – component depreciation – up to 75 years
- Other land and buildings - 5 to 80 years
- Vehicles, plant, furniture and equipment - 3 to 21 years
- Infrastructure - 40 years
- Community Assets – up to 100 years

Capital Commitments and Planned Works 2020/21

As at 31 March 2021, the Council has entered a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years.

The major contractual commitments at 31 March 2021 are:

General Fund	£000
Commonwealth Games preparations	395
Housing Investment Programme	**£000**
Purchase of land and properties	4,164
Construction of properties	6,576
Fire risk assessments	*0*

Revaluations
The Council carries out a rolling programme that ensures that all property, plant and equipment that is required to be measured at current value is revalued at least every five years to ensure that carrying value does not differ significantly from that of the current value at the end of the reporting period.

Non-operational Surplus Property assets are measured at fair value in accordance with IFRS13, and analysed by fair value hierarchy as per the below table:

As at 31 March 2021	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	276	67	209	Direct observation of transactions involving similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	**276**	**67**	**209**	

As at 31 March 2020	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	275	67	208	Direct observation of transactions involving similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	**275**	**67**	**208**	

All property valuations were undertaken by Carter Jonas LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	4,315	3,368	7,687	1,347	32,477	**49,194**
Valued at fair value as at:								
- 2020/21	411,124	53,222	-	-	-	121	-	**464,467**
- 2019/20	-	553	-	-	-	-	-	**553**
- 2018/19	-	16,562	-	-	-	155	-	**16,717**
- 2017/18	-	7,913	-	-	-	-	-	**7,913**
- 2016/17	-	2,822	-	-	-	-	-	**2,822**
- 2015/16	-	355	-	-	-	-	-	**355**
Total Cost or Valuation	**411,124**	**81,427**	**4,315**	**3,368**	**7,687**	**1,623**	**32,477**	**542,021**

It should be noted that the total figure in the table on this page does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £0.012m. This difference relates to the balance outstanding at 31 March 2021 on the Colour Copier and Dog Wardens Van Finance leases which is not included in the table above.

14. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from property, plant, and equipment.

The Leamington Spa Art Gallery & Museum at the Royal Pump Rooms has a collection of over 11,000 objects. The heritage assets held by the Council have been categorised as follows:

- Decorative Arts Collection
- Visual Arts Collections
- Other Heritage Assets

Decorative Arts & Visual Arts Collections
The majority of the Council's collections of Decorative Arts (ceramics, porcelain, glass and other artefacts of a similar nature) and Visual Arts (paintings and drawings) were revalued by Tim Ritchie & Associates in February 2020. Those items not externally valued due to their low intrinsic worth were assigned an internal nominal value of £50. The policy is to revalue the collections every five years with the next valuation due February 2025.

Other
This comprises the remainder of the Art Gallery and Museum's collections (Archaeology, Ethnography, Numismatics, Pictorial and Social History) and also the Abbey Fields Barn. In the case of the Art Gallery and Museum's collections some articles were valued externally as part of the February 2020 revaluation exercise referred to above but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff. During 2020/21, items amounting to £550 have been added

to the Social History collection, all of which were of low intrinsic value. Items amounting to £30,960 have been added to the Fine Art Collection which includes a painting valued at £8,500 and a film at £11,625. Other additions totalled £5,280 for decorative arts and pictorial.

The Abbey Fields Barn was valued by Carter Jonas at 1 April 2016 at £293,000 on a depreciated replacement cost basis.

Council policy on acquisitions, disposals, preservation and management are set out in the published Collections Development Policy which the Council reviews every five years. This is a requirement of the national accreditation scheme for museums which is managed by the Arts Council. A copy of this policy is available on the Council's website.

Full details of all artefacts in the various collections can be found by visiting the Leamington Spa Art Gallery & Museum's Collections website and also through Windows on Warwickshire website.

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

	Decorative Arts Collection	Visual Arts Collection	Other	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2020	**318**	**7,634**	**1,053**	**9,005**
Additions	-	4	-	**4**
Revaluation	-	-	5	**5**
Other Movements in Cost or Valuation	-	27	-	**27**
Derecognition - Disposals	-	(2)	-	**(2)**
Depreciation	-	-	(4)	**(4)**
At 31 March 2021	**318**	**7,663**	**1,054**	**9,035**
At 1 April 2019	**332**	**6,952**	**1,031**	**8,315**
Additions	-	38	-	**38**
Other Additions	(14)	644	26	**656**
Other Movements in Cost or Valuation	-	-	-	**-**
Derecognition - Disposals	-	-	-	**-**
Depreciation	-	-	(4)	**(4)**
At 31 March 2020	**318**	**7,634**	**1,053**	**9,005**

A summary of Heritage Assets transactions is shown below:

	2020/21	2019/20
	£'000	£'000
Cost of Acquisitions of Heritage Assets		
Purchases		
Decorative Arts	1	-
Visual Arts	4	6
Social History	-	-
Donations		
Decorative Arts	0	-
Visual Arts	17	32
Social History etc.	1	-
Total Cost of Acquisitions	**22**	**38**
Revaluation of Heritage Assets		
Decorative Arts	0	(14)
Visual Arts	27	644
Social History etc.	5	26
Total Revaluations	**32**	**656**
Disposals of Heritage Assets		
Visual Arts	(2)	-
Carrying Value	**-**	**-**
Proceeds	**-**	**-**

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:

	2020/21	2019/20
	£000	£000
Rental income from investment property	526	553
Direct operating expenses arising from investment property	(718)	(934)
Net gain / (loss)	**(192)**	**(381)**

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

	2020/21	2019/20
	£000	£000
Balance at start of the year	**10,234**	**10,966**
Net gains / (losses) from fair value adjustments	(199)	(732)
Balance at end of year	**10,035**	**10,234**

All the Council's Investment Properties are revalued annually by Carter Jonas LLP.

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 and 2020 are as follows:

As at 31 March 2021	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
1 - quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	**10,035**	2,192	7,843	Direct observation of the passing rents on similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	**10,035**	**2,192**	**7,843**	

As at 31 March 2020	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
1 - quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	**10,234**	2,203	8,031	Direct observation of the passing rents on similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	**10,234**	**2,203**	**8,031**	

There has been no change in the valuation techniques used during the year for investment properties.

NOTES TO THE ACCOUNTS

16. Financial Instruments

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

Financial Assets	Non Current				Current					
	Investments		Debtors		Investments		Debtors		TOTAL	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value through profit and loss	6,641	5,121	-	-	12,590	22,437	-	-	**19,231**	**27,558**
Amortised cost	-	-	6,044	6,725	44,032	43,657	14,695	6,785	**64,771**	**57,167**
Total	**6,641**	**5,121**	**6,044**	**6,725**	**56,622**	**66,094**	**14,695**	**6,785**	**84,002**	**84,725**

Financial Liabilities	Non Current				Current					
	Borrowings		Creditors		Borrowings		Creditors		TOTAL	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(148,168)	(148,185)	-	-	(1)	(2)	(31,959)	(19,410)	**(180,128)**	**(167,597)**
Total	**(148,168)**	**(148,185)**	**0**	**0**	**(1)**	**(2)**	**(31,959)**	**(19,410)**	**(180,128)**	**(167,597)**

Financial Instruments Designated at Fair Value Through Profit or Loss

The Council has no financial liabilities designated as Fair Value Through Profit and Loss, but the table below lists the Council's financial assets designated as Fair Value Through Profit and Loss at 31 March 2021, together with the maximum exposure and potential change in fair value associated with the credit risk relevant to the particular asset. With regard to the two equity funds, it is considered that current market prices are an appropriate reflection of credit risk hence no potential change in fair value is shown. No derivatives have been entered into in order to mitigate any potential losses through credit risk.

FINANCIAL INSTRUMENTS THROUGH PROFIT AND LOSS					
Asset	Rating	Exposure at 31 March 2021	Maximum Exposure	Credit Default Risk	Maximum potential change in fair value through credit risk
		£000	£000		£000
Federated Money LVNAV Market Fund	AAAm / Aaa-mf / AAAmmf	3,314	10,000	0.04%	4
Federated Cash Plus VNAV Account	AAAf S1 / Aaa-bf / AAA/V1	3,016	6,000	0.04%	2
Deutsche Global LVNAV MMF	AAAm / Aaa-mf / AAAmmf	2	10,000	0.04%	4
Aberdeen/Standard Life (Ignis) LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	3,147	10,000	0.04%	4
Goldman Sachs LVNAVMoney Market Fund	AAAm / Aaa-mf / AAAmmf	1	10,000	0.04%	4
Royal London Cash Plus VNAV Money Market Fund	AAAf S1 / Aaa-bf / AAA/V1	3,104	6,000	0.04%	2
Invesco LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	6	10,000	0.04%	4
Royal London Equity Income Fund	Low Risk	3,284	4,000	N/A	-
Threadneedle Equity Income Fund	Low Risk	3,357	4,000	N/A	-
Total		**19,231**	**70,000**		**25**

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

Income, Expense, Gains and Losses

	31 March 2021 Surplus or Deficit on the Provision of Services £000	31 March 2021 Other Comprehensive Income and Expenditure £000	31 March 2020 Surplus or Deficit on the Provision of Services £000	31 March 2020 Other Comprehensive Income and Expenditure £000
Net gains / (losses) on:				
Financial assets at fair value through profit and loss	1,309	-	(1,105)	-
Total net gains or (losses)	**1,309**	**-**	**(1,105)**	**-**
Interest revenue:				
Financial assets measured at amortised cost	555	-	655	-
Other financial assets measured at fair value through profit or loss	193	-	302	-
Total interest revenue	**748**	**-**	**957**	**-**
Interest expense				
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	(4,990)	-	(4,888)	-
Total fee expense	**(4,990)**	**-**	**(4,888)**	**-**

Fair Values of Assets and Liabilities

The majority of the Council's financial assets and all of its financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments using the following assumptions:

- For investments the prevailing benchmark market rates have been used to provide fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of debtors and creditors is taken to be the invoiced or billed amount.

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input Level in Fair Value Hierarchy	Valuation Techniques Used to Measure Fair Value	31 March 2021 £000	31 March 2020 £000
Financial Assets - Fair Value through Profit and Loss				
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	6,641	5,121
Money Market Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	12,590	18,404
Certificates of Deposit, Bonds, etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	-	4,032
Total			**19,231**	**27,557**

Non-current Investments of £6.641m in the Balance Sheet relate to corporate equity funds as shown in the table above.

Current investments of £56.622m are made up of £12.590m of money market funds, as shown in the table above, as well as £44.032m simple deposits at amortised cost.

Based on information received from the respective equity fund managers, two Corporate Equity Funds (Royal London Asset Management and Columbia Threadneedle) are on a Level 2 basis; this view has been confirmed by Link Asset Services, the Council's Treasury Management consultants. The rationale for considering that both funds are on a Level 2 basis is that whilst the underlying individual investments within the funds are regularly traded within an active market and thus could be considered to be Level 1, the fund themselves are not. Rather the funds are priced by the fund managers who use the prices of the underlying individual investments to determine a unit price for the fund itself.

Based on information supplied by the fund managers when appointed in March 2017 with regard to the qualifications, experience and proven track records of the staff managing the Council's respective funds, which is re-assessed at review meetings, the Council is satisfied that the funds are professionally managed and the valuations are accurate.

The Council took out £136.157m in PWLB fixed interest rate long term loans with varying maturities of between 41 and 50 years on the 28 March 2012, in order to fulfil its obligations under the new HRA self-financing regime. A further £12m was taken in 2019/20 for General Fund purposes with a maturity to 28 August 2059. Although PWLB non-current loans are carried in the balance sheet at amortised cost, the Council is required to disclose the fair value of these loans. This requires a calculation of the net present value of the cash flows that are scheduled to take place over the remaining life of each loan. The fair value of these loans will be different to the amortised cost if prevailing interest rates differ from those applicable to the loans when taken out.

The introduction of IFRS 13 requires that the fair value should be calculated using two different interest rates - the PWLB redemption rate and the PWLB certainty rate. The Council's Treasury Management consultants, Link Asset Services, has calculated the required fair values of these PWLB loans at 31 March using the PWLB redemption rate and these are £244.458m. The difference between this figure and the £148.157m carried in the balance sheet represents the premiums that would be charged for early redemption of the loans as the current interest rates are below those in force when the borrowing took place in March 2012 and September 2019. However, the Council has a continuing ability to borrow from the PWLB at its certainty rate and on this basis the fair value of the £148.157m is £195.833m including potential premiums of £47.604m, plus accrued interest. IFRS 13 requires disclosure of the valuation method by which the fair value is arrived at. There are three levels of inputs and in this instance Link Asset Services has adopted a Level 2 input basis i.e. "inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly".

Except for the financial assets carries at fair value described in the table on the previous page, all other financial assets and liabilities held by the Council are carried in the Balance Sheet at amortised cost.

The Fair Values are calculated as follows:

Financial Assets	31 March 2021		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Short-term investments	44,032	44,032	43,657	43,657
Long-term investments	-	-	-	-
Short-term debtors	14,695	14,695	6,785	6,785
Long-term debtor	6,044	6,044	6,725	6,725
Total Financial Assets	**64,771**	**64,771**	**57,167**	**57,167**

Financial Liabilities	31 March 2021		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	(148,157)	(195,833)	(148,157)	(179,904)
Short-term creditors	(31,959)	(31,959)	(19,410)	(19,410)
Short-term finance lease liability	(1)	(1)	(2)	(2)
Long-term finance lease liability	(11)	(11)	(28)	(28)
Total Financial Liabilities	**(180,128)**	**(227,804)**	**(167,597)**	**(199,344)**

17. <u>Assets Held for Sale</u>

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. There were no such assets at 31 March 2021.

	2020/21	2019/20
	£000	£000
Balance outstanding at start of year	**86**	84
Assets newly classified as held for sale:		
- Property, Plant and Equipment	**-**	86
Assets sold	**(86)**	(84)
Balance outstanding at year-end	**-**	**86**

18. Debtors

Debtors are amounts due to the Council:

	31 March 2021	31 March 2020
	£000	£000
Trade receivables	2,872	3,458
Prepayments	301	156
Other receivable amounts :-		
External funding	3,306	1,003
VAT	1,465	1,254
Business Rates/Council Tax etc	10,000	493
Investments	6,001	1
Total Debtors	**23,945**	**6,365**

19. Debtors for Local Taxation

The Past due but not impaired amount for Local Taxation (Council Tax & non-domestic Rates) can be analysed by age as follows:

	31 March 2021	31 March 2020
	£000	£000
Less than three months	4,522	3,177
Three to six months	1,357	1,018
Six months to one year	550	593
More than one year	1,399	885
Total Debtors	**7,828**	**5,673**

20. Cash and Cash Equivalents

The Balance of the Council's Cash and Cash Equivalents is made up of the following elements:

	31 March 2021	31 March 2020
	£'000	£'000
Cash held by the Council	32	51
Bank current accounts	158	95
Money Market deposits	28,200	29,967
Total Cash and Cash Equivalents	**28,390**	**30,113**

21. Creditors

Creditors are amounts owed to others by the Council:

	31 March 2021 £000	31 March 2020 £000
Trade payables	(4,860)	(3,951)
Other payable amounts :-		
External Funding	(9,539)	(3,934)
Business Rates, Council Tax etc	(19,071)	(6,184)
Investments	(21)	(21)
Total Creditors	**(33,491)**	**(14,090)**

22. Provisions

Provisional Liabilities Payable in More Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
Balance at 1 April 2020	**2,820**	**196**	**270**	**3,286**
Additional provisions made in 2020/21	-	-	78	**78**
Unused amounts reversed in 2020/21	-	2	-	**2**
Amounts payable < 1 year transferred to short term provision	-	(6)	(29)	**(35)**
Balance at 31 March 2021	**2,820**	**192**	**319**	**3,331**

Provisional Liabilities Payable in Less Than One Year	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
Balance at 1 April 2020	**2,300**	**29**	**40**	**2,369**
Additional provisions made in 2020/21	(3,628)	-	-	**(3,628)**
Amounts used in 2020/21	2,177	(18)	(32)	**2,127**
Amounts payable < 1 year transferred from long term provision	-	6	30	**36**
Balance at 31 March 2021	**849**	**17**	**38**	**904**

Business Rates Appeals
Many companies employ specialists to try to have their business rates reduced. The claims are submitted to the Valuation Office and can take several years to be agreed. If the claims are approved refunds covering several years can result. Such payments can be substantial. The Council employs a specialist company to access the likelihood of successful claims.

Insurances
The potential for insurance claims is assessed annually by the Insurance Officer and the provisions are adjusted accordingly. A separate provision is maintained for the General Fund and the Housing Revenue Account.

23. Unusable Reserves

31 March 2020		31 March 2021
£000		£000
102,356	Revaluation Reserve	110,758
788	Deferred Capital Receipts Reserve	788
(1,404)	Financial Instruments Revaluation Reserve	(95)
266,772	Capital Adjustment Account	269,758
(12)	Financial Instruments Adjustment Account	(12)
(40,891)	Pensions Reserve	(54,601)
(1,629)	Collection Fund Adjustment Account	(8,991)
(325)	Accumulated Absences Account	(349)
325,655	**Total Unusable Reserves**	**317,256**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property. The balance is reduced when assets with accumulated gains are:

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

2019/20		2020/21	
£000		£000	£000
96,514	**Balance at 1 April**		**102,356**
7,712	Upward revaluation of assets	11,030	
(827)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(1,764)	
6,885	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**9,266**
(775)	Difference between fair value depreciation and historical cost depreciation	(637)	
(268)	Accumulated gains on assets sold or scrapped	(227)	
(1,043)	**Amount written off to the Capital Adjustment Account**		**(864)**
102,356	**Balance at 31 March**		**110,758**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place amounts are transferred to the Capital Receipts Reserve.

2019/20 £000		2020/21 £000
788	Balance at 1 April	788
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	-
788	**Balance at 31 March**	**788**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are:

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

2019/20 £000		2020/21 £000
(299)	**Balance at 1 April**	**(1,404)**
-	Upward revaluation of investments	-
-	Downward revaluation of investments	-
(1,105)	Change in impairment loss allowances	1,309
(1,404)	**Balance at 31 March**	**(95)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account contains accumulated gains and losses on Investment Properties and Assets Held for Sale and in the case of Heritage Assets the gains on initial recognition of donated Heritage Assets with no outstanding conditions.

Note 6 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £000		2020/21 £000	£000
252,820	**Balance at 1 April**		**266,772**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(8,751)	- Charges for depreciation and impairment of non-current assets	(8,870)	
1,414	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	217	
-	- Amortisation of intangible assets	-	
(5,049)	- Revenue expenditure funded from capital under statute	(3,676)	
(2,079)	- 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	(1,574)	
(14,465)			**(13,903)**
268	Accumulated gains on assets sold or scrapped		228
776	Difference between fair value depreciation and historical cost depreciation		637
(13,421)	**Net written out amount of the cost of non-current assets consumed in the year**		**(13,038)**
	Capital Financing applied in the year:		
3,641	- Use of the Capital Receipts Reserve to finance new capital expenditure	815	
7,624	- Use of the Major Repairs Reserve to finance new capital expenditure	6,526	
5,505	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	4,489	
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	726	
11,041	- Capital expenditure charged against the General Fund and HRA balances	3,423	
27,811			**15,979**
238	Minimum Revenue Provision		244
(732)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(199)
56	Removal of initial recognition of Donated Assets credited to the Comprehensive Income and Expenditure Statement		-
266,772	**Balance at 31 March**		**269,758**

Pensions Reserve

The Pension Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

2019/20 £000		2020/21 £000
(48,466)	Balance at 1 April	(40,891)
12,123	Remeasurements of the net defined benefit liability	(11,512)
(7,290)	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	(5,025)
2,742	Employer's pensions contributions and direct payments to pensions payable in the year	2,827
(40,891)	**Balance at 31 March**	**(54,601)**

Collection Fund Adjustment Account

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

Council Tax 2019/20 £000	NNDR 2019/20 £000	Total 2019/20 £000		Council Tax 2020/21 £000	NNDR 2020/21 £000	Total 2020/21 £000
159	**770**	**929**	Balance at 1 April	**(170)**	**(1,459)**	**(1,629)**
(329)	(2,229)	**(2,558)**	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	48	(7,410)	**(7,362)**
(170)	**(1,459)**	**(1,629)**	**Balance at 31 March**	**(122)**	**(8,869)**	**(8,991)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from this account.

2019/20 £000		2020/21 £000	2020/21 £000
(308)	**Balance at 1 April**		**(325)**
308	Settlement or cancellation of accrual made at the end of the preceding year	325	
(325)	Amounts accrued at the end of the current year	(349)	
(17)	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		(24)
(325)	**Balance at 31 March**		**(349)**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
(535)	Interest received	(527)
4,865	Interest paid	4,986
2	Interest element of finance lease payments	1
4,332		**4,460**

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

2019/20 £000		2020/21 £000
(8,751)	Depreciation	(8,866)
786	Impairment and revaluations in Consolidated Income and Expenditure	238
-	Amortisation of intangible assets	(10)
3,144	(Increase) / decrease in creditors	(18,500)
(3,353)	Increase / (decrease) in debtors	18,505
(575)	(Increase) / decrease in impairment for bad debt	(344)
4	Increase / (decrease) in inventories	-
(4,548)	Movement in pension liability	(2,198)
(2,030)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(1,577)
(982)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	1,468
(16,305)		**(11,284)**

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

2019/20 £'000		2020/21 £'000
(1,380)	Investment gains / (losses)	1,310
3,306	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,492
4,289	Any other items for which the cash effects are investing or financing cash flows	6,739
6,215		**10,541**

25. Cash Flow Statement – Investing Activities

2019/20 £000		2020/21 £000
24,133	Purchase of property, plant and equipment, investment property and intangible assets	40,193
28,900	Purchase of short-term and long-term investments	240,826
(3,306)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(2,492)
(28,452)	Proceeds from the sale of short-term and long-term investments	(259,114)
(4,761)	Other receipts from investing activities	(5,779)
16,514	**Net cash flows from investing activities**	**13,634**

26. Cash Flow Statement – Financing Activities

2019/20 £000		2020/21 £000
(12,000)	Cash receipts of short- and long-term borrowing	-
2,807	Other receipts from financing activities	3,458
17	Cash payments for the reduction of outstanding liabilities relating to finance leases	18
-	Other payments for financing activities	(738)
(9,176)	**Net cash flows from financing activities**	**2,738**

27. Reconciliation of Liabilities Arising from Financing Activities

			Non-cash changes		
	01 April 2020	Financing cash flows	Acquisition	Other non-cash changes	31 March 2021
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	**(148,157)**	-	-	-	**(148,157)**
Short-term borrowings	**-**	-	-	-	**-**
Lease liabilities	**(30)**	18	-	-	**(12)**
Total liabilities from financing activities	**(148,187)**	**18**	**-**	**-**	**(148,169)**

28. Members' Allowances

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

Allowances	2020/21 £000	2019/20 £000
Basic	252	236
Special Responsibility	71	70
Chair and Vice Chair Allowances	17	17
Co-Optees	1	-
Other Allowances (Travel, Subsistence, etc.)	8	2
Total	**349**	**325**

29. Officers' Remuneration

The remuneration paid to the Council's senior employees as defined by the Accounts and Audit Regulations 2015 is as follows:

Post Title		Salary including Fees and Allowances £	Pension Contribution £	Total Renumeration including Pension Contribution £
Chief Executive	2020/21	115,469	22,978	138,447
	2019/20	138,377	27,122	165,499
Deputy Chief Executive	2020/21	93,989	18,704	112,693
	2019/20	91,473	17,929	109,402
Deputy Chief Executive	2020/21	93,989	18,704	112,693
	2019/20	93,342	18,295	111,637
Head of Finance	2020/21	82,865	16,559	99,424
	2019/20	80,647	15,807	96,454
Programme Director for Climate Change	2020/21	57,357	11,414	68,771
	2019/20	-	-	-

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

Remuneration Band	2020/21 Number of Employees		2019/20 Number of Employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	7	-	5	-
£55,000 - £59,999	1	-	2	-
£60,000 - £64,999	2	-	4	-
£65,000 - £69,999	2	-	-	-
£70,000 - £74,999	-	-	2	1
£75,000 - £79,999	1	-	-	-

30. Termination benefits

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

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£	£
£0 - £20,000	-	1	2	-	2	1	12,636	5,532
£20,001 - £40,000	1	-	1	-	2	-	58,132	-
£40,001 - £60,000	1	-	-	-	1	-	40,672	-
Total	**2**	**1**	**3**	**0**	**5**	**1**	**111,440**	**5,532**

31. External Audit Costs

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

	2020/21	2019/20
	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	49	49
Additional fees payable to Grant Thornton in respect of prior year external audit services	9	(1)
Audit Fee - Objections to Accounts	-	-
Fees payable to Grant Thornton for the certification of grant claims and returns	20	17
Total	**78**	**65**

32. Usable Reserves

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

31 March 2020		31 March 2021
£000		£000
23,073	General Fund Revenue Balance	36,203
26,936	Housing Revenue Account Balance	30,952
6,500	Major Repairs Reserve	5,994
7,257	Usable Capital Receipts Reserve	7,830
2,147	External Capital Grants / Contributions Unapplied	5,008
65,913	**TOTAL USABLE RESERVES**	**85,987**

33. Grant Income

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

	2020/21	2019/20
	£000	£000
Credited to Taxation and Non-Specific Grant Income		
New Homes Bonus	(3,726)	(3,359)
Small Business Rate Relief	(13,571)	(2,644)
Council Tax Support Grant	(670)	-
Revenue Support Grant	-	-
Brexit Preparation Grant	-	(35)
High Street Community Clean up Grant	-	-
Parks & Open Spaces Improvement Grant	-	-
Transparency Setup Grant	(8)	(16)
Self & Custom Build New Burdens Grant	-	(15)
Council Tax Annex Discount Grant	(8)	(6)
Brownfields Register & PIP LA	-	(2)
Non Ringfenced Revenue Grants	**(17,983)**	**(6,077)**
Housing Infrastructure Fund Grant - Kenilworth School	-	(3,576)
S106 Contributions	(119)	632
Community Infrastructure Levy	(3,600)	(1,713)
Pump Room Gardens Heritage Lottery Grant	-	(873)
English Sports Council Leisure Centre Grant	-	(60)
Heritage Assets Donations	-	(56)
Homes & Community Agency	(1,198)	(50)
Friends of Pump Room Gardens Contribution	-	(50)
CWLEP Bowling Green Grant	(1,636)	(19)
Football foundation	(689)	-
Arts Grants	(6)	(6)
Capital Grants and Contributions:	**(7,248)**	**(5,721)**
Total Grants Credited to Taxation & Non Specific Grant Income	**(25,231)**	**(11,798)**
Credited to Services		
DWP Grants for Housing Benefits	(22,616)	(25,344)
COVID 19 - Income Recovery Scheme	(5,100)	-
Disabled Facilities Grant - HEART Scheme	(881)	(881)
Local Council Tax Admin Support Grant	(452)	-
Rough Sleeping Initiative Grant - Hostel	(350)	(250)
COVID 19 Interim Homelessness Grant	(329)	(61)
Rough Sleeping Initiative Grant	(310)	(146)
National Leisure Recovery Fund	(262)	-
Flexible Homelessness Support Grant	(238)	(228)
Contribution towards NNDR Collection	(232)	(229)
COVID 19 Outbreak Management Fund	(223)	-
New Burdens Grant	(221)	-
Cultural Recovery Grant	(170)	-
COVID 19 - Self Isolation Payments - top up	(156)	-
COVID-19 Self Isolation Payments	(119)	-
COVID-19 Furlough Grant Claims	(100)	-
Cold Weather Fund	(48)	(12)
Homelessness Reduction Act Grant	(45)	(28)
Future Highstreet Fund	(32)	(150)
COVID 19 Rough Sleeping Initiative (Cold Weather Fund)	(30)	-
CEV Funding Support Grant	(25)	-
Business Rates NB Admin Cost Grant	(24)	-
Police & Crime Commissioner Grant	(22)	(29)
Protect Plus	(19)	-
Individual Electoral Registration	(15)	(20)
External Wall Systems Data Collection Grant	(11)	(6)
Police & Crime Commissioner CCTV Grant	(11)	(15)
Arts Pre Raph Grant	(9)	(4)
European Election	(7)	(256)
Land Registry S31 Grant	(6)	(6)
EEM Community Donation Grant	(5)	-
LGA Cyber Training Grant	(3)	(5)
Geospatial Data Grant	(3)	-
Housing Benefit Administration Grant	-	(482)
Parlimentry Elections	-	(369)
Planning Enforcement Fund Grant	-	(50)
District Heating Network Grant	-	(39)
Heritage Lottery Grant Pump Room Gardens Revenue Events	-	(4)
Electric Cars	-	(3)
Credited to Services	**(32,074)**	**(28,617)**
TOTAL GRANTS	**(57,305)**	**(40,415)**

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

	2020/21	2019/20
	£'000	£'000
Conservation Grants	0	0
S106 Contributions towards social housing, sports & leisure facilities and play equipment	7,733	5,786
Capital Grants, Contributions Held in Advance	**7,733**	**5,786**

34. Related Party Transactions

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

Central Government:
Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides some of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2021 are included within the figures shown in the Grant Income note 33.

Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner:
These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in Defined Benefit Pension Schemes note 38.

Precepting Bodies:
The various Town and Parish Council's in the Council's area issue precepts on the Council. For 2020/21 the precepts issued totalled £1.758m (2019/20 £1.619m). The major preceptors were:

Major Preceptors	2020/21 £000	2019/20 £000
Warwick Town Council	482	433
Royal Leamington Spa Town Council	401	378
Whitnash Town Council	216	202
Kenilworth Town Council	186	182

Council Members and Chief Officers:

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

Council Members have direct control over the Council's financial and operating policies. Grants totalling £5.015m (2019/20 £3.891m) were paid to voluntary organisations in which 15 members had declared interest or held positions on the governing body. The grants were made with proper consideration of declarations of interest. The relevant members were excluded from any discussion or decision relating to the grants. The major grants awarded were:

Major Grants Awarded	2020/21 £000	2019/20 £000
Kenilworth School Multi Academy Trust - Relocation	1,198	3,576
Whitnash Town Council	982	77
Norton Lynsey Village Hall	0	101
Kenilworth Rugby Club	267	0
Citizens' Advice Bureau	80	90
Shakespeare's England	75	75
Brunswick Healthy Living Centre	74	100
Racing Club Warwick FC	61	0
Warwickshire Community and Voluntary Action (CAVA)	50	50
Warwick Town Council	31	35
The GAP	30	32
Sydenham Neighbourhood Initiatives	27	32
The Chain	25	30
Coventry & Warwickshire LEP	20	43
Community Forum Grants	0	21
Hill Close Gardens Trust	0	20

Leamington Business Improvement District:

The Council acts as an agent in respect of Leamington Business Improvement District (BID) whereby it collects the levy due on the BID's behalf - £0.300m in 2020/21 (£0.405m in 2019/20).

Entities Controlled or Significantly Influenced by the Authority:

Milverton Homes Ltd.

During 2020/21 Warwick District Council created a wholly owned Local Housing Company subsidiary named Milverton Homes Ltd. Company number 13123477. Milverton Homes Business Plan was approved by the Council's Cabinet on the 10 December 2020. The Company was incorporated with Companies House on 8 January 2021 with the nature of the business being 4110 – Development of building projects. Four directors have been appointed to Milverton Homes Board and registered on Companied House and the accounting reference period has been shortened to align with the Council's.

There have been no financial transactions made or received by Milverton Homes during the 2020/21 financial year hence the company is in the process of being registered as dormant with companies house for the 2020/21 Financial year in due course until the company becomes operational. Group Accounts will not be prepared in the 2020/21 Financial Statements at this point as there have been no transactions and the company is only in the early stages of commencement.

When Milverton Homes becomes fully operational reliance will be placed on financial professionals to provide accounts that meet Accounting Standards and are audited appropriately for consolidation into the Council's Group Accounts. The Council ensures that accounting policies or standards adopted by Milverton Homes will be aligned to the Council's accounting policies.

PSP Warwick LLP

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

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

In 2013 Warwick District Council initially invested £1 in the joint venture; there have been no other physical monetary transactions between the two entities since.

Under the provision of IAS28, where the Council's share of the Joint Venture equals or exceeds its interest in the Joint Venture, the Council discontinues recognising its share of further losses. Under the agreement of the Joint Venture, the Council has not incurred any legal or constructive obligation to meet these losses or made payments on behalf of the Joint Venture, therefore no liability is recognised. Under IAS28, the Council will resume recognising its share of any future profits reported by the Joint Venture only after its share of the profits equals the share of the losses not recognised. PSP Warwick LLP reported losses in 2013/14 and each subsequent financial year.

On 13th May 2021, PSP Facilitating Limited and Warwick District Council formally agreed a settlement relating to dissolving the Partnership (PSP LLP) and terminating the project.

Critical Judgements in Assessing the Collaborative Activity:

The Council's collaborative activity, PSP Warwick LLP with PSP Facilitating Limited constitutes an arrangement under which there is joint control owing to the need for unanimous consent for reserved matters on the PSP Warwick LLP Operations Board. As the Council has a right to a share of the net assets, the collaborative arrangement is deemed to be a joint venture under accounting standards. However. The transactions in 2020/21 were not considered material so group accounts have not been prepared.

The PSP Warwick LLP Report and Financial Statements for the year ended 30 April 2020 can be obtained from the registered office: Synergy House, 114 - 118 Southampton Row, London, England, WC1B 5AA.

The Registered Company Number for PSP Warwick LLP is: OC383779.

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it.

	2020/21	2019/20
	£000	£000
Opening Capital Financing Requirement	**156,447**	**156,081**
Capital Investment:		
Property, Plant and Equipment	40,744	22,806
Revenue Expenditure Funded from Capital Under Statute:		
- Grants	3,666	5,049
- Long-term loans	350	530
Finance Leases Principal	12	30
Sources of Finance:		
Capital Receipts	(815)	(3,641)
Government grants and other contributions	(5,215)	(5,505)
Major Repairs Reserve	(6,527)	(7,624)
Sums set aside from revenue	(3,423)	(11,041)
Minimum Revenue Provision	(244)	(238)
Closing Capital Financing Requirement	**184,995**	**156,447**
Explanation of movements in year		
Increase underlying need to borrow (unsupported by Government financial assistance)	28,548	366
Increase in Capital Financing Requirement	**28,548**	**366**

36. Leases

Authority as Lessor

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

Operating Leases

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

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

	31 March 2021	31 March 2020
	£000	£000
Not later than one year	339	280
Later than one year and not later than five years	837	401
Later than five years	383	20
	1,560	**701**

37. Impairment / Revaluation Losses

Enquiries made of Service Areas, the Asset Management Team and dialogue with our external valuers, Carter Jonas, did not reveal any new properties which were physically impaired and which therefore, required revaluation during 2020/21 in order to reflect their reduced capacity to operate at previous levels. However, the Council is aware of a significant issue with the Royal Pump Rooms roof which will require a substantial sum of money (£1m+) spending on it in the relatively near future but this has not affected its ability to operate and the valuation in the balance sheet of this property reflects this issue. Linen Street multi-storey car park in Warwick has a nil carrying value, so is not subject to further impairment despite a stock condition survey.

38. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

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

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

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

Transactions Relating to Post-Employment Benefits

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

Comprehensive Income and Expenditure Statement	2020/21 £000	2019/20 £000
Cost of Services:		
- Current service cost	**4,462**	5,503
- Past service costs	**-**	588
- (Gain) / loss from settlements	**-**	**-**
Financing and Investment Income and Expenditure:		
- Net interest expense	**971**	1,199
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**5,433**	**7,290**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	**(29,275)**	14,714
- Actuarial gains and losses arising on changes in demographic assumptions	**2,290**	(5,403)
- Actuarial gains and losses arising on changes in financial assumptions	**40,548**	(13,913)
- Other	**(1,635)**	(7,521)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**17,361**	**(4,833)**
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(5,433)**	**(7,290)**
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employer's contributions payable to scheme	**7,582**	**2,742**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2020/21 £000	2019/20 £000
Present value of the defined benefit obligation	**204,686**	159,942
Fair value of plan assets	**(154,840)**	(119,051)
Other movements in the liability / asset		-
Net liability arising from defined benefit obligation	**49,846**	**40,891**

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

	2020/21 £000	2019/20 £000
Opening fair value of scheme assets	**119,051**	**132,174**
Opening balance adjustment *	415	-
Interest income	2,699	3,160
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	29,275	(14,714)
The effect of changes in foreign exchange rates	-	-
Contributions from employer	7,582	2,742
Contributions from employees into the scheme	861	812
Benefits paid	(5,043)	(5,123)
Closing fair value of scheme assets	**154,840**	**119,051**

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

	2020/21 £000	2019/20 £000
Opening balance at 1 April	159,942	180,640
Opening balance adjustment *	(409)	-
Current service cost	4,462	5,503
Past service cost	-	588
Interest cost	3,670	4,359
Contributions from scheme participants	861	812
Remeasurement (gains) / losses:	-	-
- Actuarial gains / losses arising from changes in demographic assumptions	2,290	(5,403)
- Actuarial gains / losses arising from changes in financial assumptions	40,548	(13,913)
- Other experience	(1,635)	(7,521)
Benefits paid	(5,043)	(5,123)
Closing balance at 31 March	**204,686**	**159,942**

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

Local Government Pension Scheme assets comprised:

	31 March 2021			31 March 2020		
	Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	**3,007**	**-**	**3,007**	1,661	-	1,661
Equity Securities (by industry type):						
- Consumer	**-**	**-**	**-**	-	-	-
- Manufacturing	**-**	**-**	**-**	-	-	-
- Energy and Utilities	**-**	**-**	**-**	-	-	-
- Financial Institutions	**-**	**-**	**-**	-	-	-
- Health and Care	**-**	**-**	**-**	-	-	-
- Information Technology	**-**	**-**	**-**	-	-	-
- Other	**-**	**73**	**73**	-	-	-
Sub-total equity	**-**	**73**	**73**	**-**	**-**	**-**
Debt Securities						
- Corporate bonds (investment grade)	**15,095**	-	**15,095**	-	-	**-**
- Corporate bonds (non-investment grade)	**3,705**	-	**3,705**	-	-	**-**
- UK Government	**7,081**	-	**7,081**	-	-	**-**
- Other	**7,682**	**5,221**	**12,903**	-	3,786	**3,786**
Sub-total debt securities	**33,562**	**5,221**	**38,784**	**-**	**3,786**	**3,786**
Property:						
- UK Property	**14,057**	**-**	**14,057**	11,634	-	11,634
- Overseas Property	**-**	**-**	**-**	10	-	10
Sub-total property	**14,057**	**-**	**14,057**	**11,645**	**-**	**11,645**
Private Equity:						
- All	**-**	**7,932**	**7,932**	-	5,697	5,697
Investment Funds and Unit Trusts:						
- Equities	**86,519**	**-**	**86,519**	68,242	-	68,242
- Bonds	**-**	**-**	**-**	18,292	-	18,292
- Hedge Funds	**-**	**-**	**-**	-	-	-
- Commodities	**-**	**-**	**-**	-	-	-
- Infrastructure	**4,470**	**-**	**4,470**	-	3,132	3,132
- Other	**-**	**-**	**-**	6,596	-	6,596
Sub-total Investments	**90,989**	**-**	**90,989**	**93,131**	**3,132**	**96,263**
TOTAL ASSETS	**141,614**	**13,226**	**154,840**	**106,436**	**12,615**	**119,051**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years' dependent on assumptions about mortality rates, salary levels, etc.

The Warwickshire County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	8,187	(8,187)
Rate of increase in salaries (increase or decrease by 0.1%)	377	(377)
Rate of increase in pensions (increase or decrease by 0.1%)	3,369	(3,369)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	3,789	(3,789)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis, with the triennial valuation based as at 31 March 2021.

The Council anticipates paying £2.755m expected contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2020/21 (19 years 2019/20).

39. <u>Nature and Extent of Risks Arising from Financial Instruments</u>

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

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, together with written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch's Ratings Services, except for Corporate Equity Funds which are rated as low or medium risk. The Annual Investment Strategy also imposes a maximum sum to be invested with each type of financial institution located within each category.

The credit criteria at 31 March 2021 in respect of investments held by the Council are:

Investment / Counterparty type:	S/term (FITCH or equivalent)	L/term	Security / Min. credit rating	Max. limit per counterparty	Max. Maturity period	Portfolio at 31 March 2021 £000	Proportion of Portfolio at 31 March 2021
Specified instrument (repayable within 12 months):							
UK Govt. / Local Authorities / Public Corporations / Nationalised Industries	n/a		n/a	£9m	365 days	19,500	36.6%
Bank - Private UK (includes Fixed Term Deposits, CD's and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£5m	365 days	-	0.0%
	F1	A+	UK Sovereign	£7m	365 days	13,500	25.3%
	F1	AA- & above	UK Sovereign	£8m	365 days	2,003	3.8%
Money Market Fund (LVNAV)	AAAm / Aaa-mf/AAAmmf		n/a	£10m	liquid	6,334	11.9%
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1		n/a	£6m	liquid	6,000	11.2%
Non-specified instruments							
Corporate Equity Funds		n/a	Low Risk	£4m	10 years	6,000	11.2%
					Total	**53,337**	**100.0%**

Where appropriate the Council makes use of a credit checking agency so that customers for goods and services e.g. major contracts are assessed and suitable credit limits set.

At 31 March 2021, sundry debts outstanding stood at £2.614m of which £1.130m related to general debts and £1.484m to Housing Benefit and Council Tax Support overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.072m and £0.791m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.774m less £0.863m Credit Loss Allowances follows**:**

Warwick District Council has a substantial number of trade receivables. As the assets do not have a significant financing component, the loss allowance is based on the lifetime expected credit losses. The Council uses a provision matrix, based on historical observed rates over the lifecycle of trade receivables, adjusted for forward-looking estimates.

More than 1 year	100.00%
Current year	5.62%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount A £	Loss rate B	Lifetime expected credit losses A x B £
Over 1 year	9,100	100.00%	9,100
Current year	1,121,200	5.62%	63,000
		Loss allowance	**72,100**

Warwick District Council has a substantial number of Benefits debtors. As the assets do not have a significant financing component, the loss allowance is to be based on lifetime expected credit losses.

The Council uses a provision matrix, based on historical observed rates over the lifecycle of this type of debtor, adjusted for forward-looking estimates:

01 - 03 months	23.20%
04 - 06 months	35.00%
07 - 09 months	40.00%
10 - 12 months	45.00%
Over 1 year	57.50%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount A £	Loss rate B	Lifetime expected credit losses A x B £
01 - 03 months	74,100	23.20%	17,200
04 - 06 months	71,300	35.00%	25,000
07 - 09 months	85,800	40.00%	34,300
10 - 12 months	46,800	45.00%	21,100
Over 1 year	1,206,200	57.50%	693,600
		Loss allowance	**791,200**

Amounts Arising from Expected Credit Losses

The changes in the loss allowance for investments and long term debtors during the year are as follows:

The Council has analysed the credit risk of the investments held at 31 March 2021 using the methodology recommended by its treasury advisers in order to comply with IFRS 9.

The calculated potential impairment of £9.8k equates to 0.02% of total investments of £63.263m. This has been assessed as being immaterial and no impairment of the investments has been made.

During 2020/21, the Council made long term loans for capital expenditure amounting to £0.350m to various organisations. Due diligence was carried out to ensure that the borrower's capacity to repay the loans plus interest in a timely manner was adequate. Repayments of the loans are being made according to the various repayment plans and consequently there is little or no expectation of any form of credit default and therefore no expected credit loss has been included in the accounts.

At 31 March 2021, outstanding arrears in respect of Council house rents and charges stood at £2.469m; again, an assessment of the default rate on these arrears has been made and a bad debts provision of £1.999m has been established.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council is able to borrow, subject to the limits imposed by the relevant Prudential Indicators, from the Money Markets to make up the shortfall. The relevant Prudential Indicators in this instance are the Operational Boundary for External Debt which manages the day to day cash flow requirements and the Authorised Limit for External Debt which sets an absolute ceiling on the amount of borrowing allowed.

All of the Council's trade and other payables are due to be paid in less than one year.

Market Risk

This risk relates to market perceptions of the creditworthiness of particular counterparties or investment vehicles over and above those reflected in current credit ratings. The Council is not aware of any such perceptions which affect either counterparties that it has on its approved lending list or investment vehicles it is permitted to use.

Interest Rate Risk

The Council's external borrowing is made up of PWLB Fixed Rate Maturity loans with maturities of between 33 and 42 years and the average rate of the portfolio is 3.37%. This gives certainty in terms of interest payments but prevents the Council benefiting from any future reductions below this in interest rates.

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

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

The treasury management team has an active strategy for assessing interest rate exposure. According to this assessment strategy, based on the 2020/21 outturn a 0.25% movement upwards in interest rates would have produced an additional £0.189m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council invests in Certificates of Deposits which are instruments where the price fluctuates. The Council manages this risk by only purchasing such investments with a relatively short term to run and by holding the investments to maturity thus nullifying the effect of price fluctuations as the investments are redeemed at par i.e. face value.

Regarding Corporate Equity Fund investments, year-end fluctuations in the value of these funds will be managed through the use of the Financial Instruments Revaluation Reserve, thus ensuring no impact on the General Fund. The Council has also established an investment volatility reserve and this reserve can be used to finance any losses resulting from premature redemptions within the fund thus reducing the impact on the General Fund although the Council's policy is to retain its investments in such funds for at least five years in order to achieve the optimum investment returns and minimising the risk to the capital value from stock market price volatility, subject to its recent declaration to divest from fossil fuel investments at the earliest opportunity.

40. Contingent Assets and Liabilities

Contingent Liabilities

As at 31 March 2021 the Council identified no contingent Liabilities. However, the liability in relation to the Pension Scheme Court Ruling has now been recognised as a past service cost in the Comprehensive Income and Expenditure Statement for 2020/21.

Contingent Assets

As at 31 March 2021 the Council identified the following material contingent assets in relation to:

Leisure Centre Refurbishment - Utility Company Legal Challenge

Delayed works relating to the 2017/18 Leisure Centre Refurbishment Project of Newbold Comyn and St Nicholas Park Leisure Centre's have resulted in legal proceedings being brought by the Council to a number of Utility Companies in an attempt to seek recompense for delayed works which resulted in financial penalties for the Council. The Penalties were paid by the Council to the Contractor completing the refurbishment works as per the contractual agreement in relation to delayed works.

Disclosure of an estimate of value for this legal challenge in the accounts may affect the negotiations and would be prejudicial to the Council and its contractor's commercial interests. It might also lead to an expectation which would prejudice the outcome of the Legal proceedings. For these reasons, no estimate of value has been disclosed.

Business Rate Pooling – Local Volatility Fund

Following the Local Government Finance Bill, with effect from 1 April 2013, the Council agreed to participate in the Warwickshire and Coventry Business Rates Pool consisting of the following Authorities:

- Coventry City Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-On-Avon District Council
- Warwick District Council
- Warwickshire County Council

Under the new legislation, 50% of business rates collected by the billing authority is retained locally, the other 50% is paid to the Government. The Locally retained business rates are then split 80% to the pool and 20% to Warwickshire County Council.

Part of the Memorandum of Understanding for the Warwickshire and Coventry Business Rates Pool allocates 25% of the benefit of being in the pool to be set aside in a Local Volatility Fund. This is to provide protection for Pool members from falls in business rate income. The Local Volatility Fund is held by Warwickshire County Council as the lead authority and a memo account is maintained for each authority.

As at the end of March 2021, Warwick District Council held £0.359m within the Fund. This would be released to us if our business rates income fell by more than 5% of our baseline funding level or if we left the pool or the pool dissolved.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) reflects the obligation to maintain a separate revenue account for the Council's housing provision. The HRA Income and Expenditure Statement shows the cost in the year of providing these housing services.

2019/20		2020/21	
£000		£000	£000
	Expenditure		
6,347	Repairs and Maintenance	5,325	
7,083	Supervision and Management	7,145	
218	Rents, Rates, Taxes and Other Charges	273	
469	Increased Provision for Bad Debts	351	
5,035	Depreciation and Impairment of Non-Current Assets	5,939	
-	Debt Management Costs	-	
-	Amortisation of Intangible Assets & Revenue Expenditure Funded from Capital Under Statute		
19,152	**Total Expenditure**		**19,033**
	Income		
(25,348)	Dwelling Rents	(25,619)	
(1,014)	Non-Dwelling Rents	(1,061)	
(1,005)	Charges for Services and Facilities	(1,020)	
(732)	Contributions Towards Expenditure	(1,043)	
(28,099)	**Total Income**		**(28,743)**
(8,947)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(9,710)**
74	HRA services' share of Corporate and Democratic Core		74
21	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		19
(8,852)	**Net Income for HRA Services**		**(9,617)**
(1,121)	Gain or Loss on sale of HRA non-current assets		(756)
4,766	Interest payable and similar charges		4,766
153	Net interest on the net defined benefit asset or liability		138
(490)	HRA Interest and Investment Income		(225)
-	Capital Grants and Contributions Receivable		-
(5,544)	**(Surplus) / Deficit for the year on HRA services**		**(5,694)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE STSTAMENT

The 'Surplus or (Deficit) for the year on Housing Revenue Account (HRA) services' line shows the true economic cost of providing the authority's services. The 'Net Increase / (Decrease) before transfers to earmarked reserves' line shows the change in the statutory HRA Balance before any discretionary transfers to or from reserves undertaken by the Council.

2019/20		Notes	2020/21	
£000			£000	£000
1,454	**Balance on the HRA at the end of the previous year**			**1,483**
5,544	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	HRA I&E	5,694	
(10,902)	Adjustments between accounting basis and funding basis under statute	Main Notes 8	(2,063)	
(5,358)	**Net increase or (decrease) before transfers to or from reserves**		**3,631**	
5,387	Transfers (to) or from reserves	Main Note 9	(3,985)	
29	**Increase or (decrease) in year on the HRA**			**(354)**
1,483	**Balance on the HRA at the end of the current year**			**1,129**

1. Housing Stock

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

	31 March 2021	31 March 2020
	Nos.	Nos.
Houses	2,383	2,391
Flats	2,407	2,414
Bungalows	672	672
	5,462	**5,477**

The change in housing stock can be summarised as follows:

	2020/21	2019/20
	Nos.	Nos.
Housing Stock at 1 April	**5,477**	**5,478**
New build	3	25
Purchases	3	
Reclassification from non-operational to operational stock	-	-
Conversions		
Right to Buy sales	(21)	(26)
Housing Stock at 31 March	**5,462**	**5,477**

2. Housing Revenue Account Non-Current Assets and Assets Held for Sale

The total Housing Revenue Account non-current assets and assets held for sale can be analysed as follows:

	1 April 2021	1 April 2020
	£000	£000
Council Dwellings	411,124	402,119
Other Properties	7,670	7,721
Land	296	294
Equipment	433	490
Assets Under Construction	30,799	5,249
Surplus Assets	1,347	
Assets Held for Sale	-	86
Total Balance Sheet Items	**451,670**	**415,959**

3. Valuation of Dwellings

The ‘vacant possession’ value of dwellings represents the open market value of the housing stock, whilst the Balance Sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction to 40% of the market valuation) is the ‘Economic Cost’ of providing Council housing at less than open market rents.

	31 March 2021	31 March 2020
	£000	£000
Vacant Possession Value of Dwellings (Open Market Value)	1,018,132	996,127
Balance Sheet Value of Dwellings (Social Housing Value)	(411,123)	(402,204)
(40% of Open Market Value)		
Economic Cost to Government	**607,009**	**593,924**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE STSTAMENT

4. Summary of Capital Expenditure Funding Sources

	2020/21	2019/20
	£000	£000
Prudential Borrowing	25,002	-
Government Grant		46
Usable Capital Receipts	420	3,187
Revenue and Other Contributions	1,186	9,325
Major Repairs Reserve	6,526	7,624
Total Capital Expenditure Funding	**33,135**	**20,183**

5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken on the 31 March 2021 by the Council's Valuer, Carter Jonas LLP. Revaluation gains of £9.225m were credited to the Housing Revenue Account Revaluation Reserve. There were no impairment charges for the financial year.

The housing stock is valued on an "Existing Use – Social Housing" (EUV-SH) basis, derived from the Open Market Value (OMV), discounted by a Regional Adjustment Factor, which is determined by the Department for Communities and Local Government (DCLG). Currently, this is just 40% of the Open Market Value.

6. Summary of Capital Receipts

	2020/21	2019/20
	£000	£000
Sale of Council Houses	2,359	3,048
Other Non RTB Sales	-	138
Total Capital Receipts	**2,359**	**3,185**

7. Depreciation of Fixed Assets

	2020/21	2019/20
	£000	£000
Council Dwellings	5,513	5,374
Other Buildings	451	588
Equipment	57	63
Total Depreciation	**6,021**	**6,025**

8. Arrears and Provision for Loss Allowances

	2020/21	2019/20
	£000	£000
HRA Rent & Charges Arrears		
Current Tenant Rent Arrears	1,327	1,155
Former Tenant Rent Arrears	576	468
Dwelling Rent Arrears	**1,903**	**1,623**
Garage Rent Arrears	30	30
Supporting People Charge Arrears	24	24
Court Cost Arrears	157	157
Overpayment of Benefit Arrears	136	136
Other Arrears	219	153
Total Arrears	**2,469**	**2,123**
Prepayments		
Dwelling Rent Prepayments	(422)	(403)
Garage Rent Prepayments	(13)	(12)
Other Prepayments	(5)	(5)
Total Prepayments	**(440)**	**(420)**
Net Arrears	**2,029**	**1,703**
HRA Bad Debt Provisions		
Rent Bad Debt Provision	(1,780)	(1,430)
Court Cost Bad Debt Provision	(219)	(211)
Total Bad Debt Provisions	**(1,999)**	**(1,641)**

Arrears as a proportion of gross rent net of housing benefit	2020/21	2019/20
Current Tenant Rent Arrears	7.04%	7.19%
Net Arrears	10.74%	9.70%

COLLECTION FUND

This statement details the transactions relating to the collection of council tax and business rates. The Council acts as an agent to collect council tax and business rates on behalf of Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner and business rates on behalf of the Government.

2019/20				2020/21		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			Income			
(101,891)	-	(101,891)	Council Tax Receivable	(106,745)	-	(106,745)
-	(68,792)	(68,792)	Business Rates Receivable	-	(42,336)	(42,336)
-	(329)	(329)	Transitional Protection Payments Receivable	-	(110)	(110)
(101,891)	**(69,121)**	**(171,012)**	**Total Income**	**(106,745)**	**(42,446)**	**(149,191)**
			Expenditure			
			Precepts and Demands:			
-	33,577	33,577	Central Government	-	33,615	33,615
79,576	6,715	86,291	Warwickshire County Council	83,155	6,723	89,878
12,670	-	12,670	The Office of the Warwickshire Police and Crime Commissioner	13,291	-	13,291
10,893	26,862	37,755	Warwick District Council	11,323	26,892	38,215
103,139	**67,154**	**170,293**		**107,769**	**67,229**	**174,998**
			Distribution of earlier years' Collection Fund Surplus:			
1,024	382	1,406	Warwickshire County Council	1,351	(300)	1,051
-	1,912	1,912	Central Government	-	(1,501)	(1,501)
153	-	153	The Office of the Warwickshire Police and Crime Commissioner	215	-	215
143	1,530	1,673	Warwick District Council	185	(1,201)	(1,016)
1,320	**3,824**	**5,144**		**1,751**	**(3,002)**	**(1,251)**
			Charges to the Collection Fund:			
320	991	1,311	Write-offs of uncollectable amounts	281	156	437
-	220	220	Warwick District Council: Cost of Collection Allowance	-	219	219
190	220	410	Increase / (Decrease) in Bad Debts Provision	-	-	-
-	2,250	2,250	Increase / (Decrease) in Provision for Appeals	-	(3,628)	(3,628)
-	-	-	Transitional Protection Payments payable	-	-	-
-	16	16	Renewable Energy Disregard	-	15	15
-	-	-	Interest payable	-	-	-
510	**3,697**	**4,207**		**281**	**(3,238)**	**(2,957)**
			Movement On Fund:			
3,078	5,554	8,632	Net (Surplus) / Deficit for Year	3,056	18,543	21,599
(1,471)	(1,929)	(3,400)	(Surplus) / Deficit brought forward 1 April	1,607	3,625	5,232
1,607	**3,625**	**5,232**	**(Surplus) / Deficit carried forward 31 March**	**4,663**	**22,168**	**26,831**

1. **General**

The Collection Fund is a statutory account which shows the transactions of the billing authority (Warwick District Council) in terms of Council Tax and Business Rates and demonstrates how income from these sources is distributed to precepting bodies and the General Fund. The surplus or deficit on the Collection Fund at the year-end is distributed to, or recovered from, the billing authority and the precepting bodies on the basis of fund outturn balance estimates made in the January before the year end.

2. **Council Tax**

Council Tax income is derived from charges according to the value of residential properties that have been classified into eight valuation bands. These numbers are adjusted for various items. The number of properties for each band is then converted into a Band D equivalent by applying a designated ratio to arrive at the Council Tax Base. Individual charges are determined by dividing the demands and precepts of the Council, Warwickshire County Council and The Office of the Warwickshire Police and Crime Commissioner by the Council Tax base. The Council Tax base for 2020/21 was calculated as follows:

Band	Dwellings in Banding List	Disabled Persons Adjustments No of Cases	Less Exemptions Properties Affected	Less Discounts	Adjusted Amount for Council Tax	Ratio	Band D Equivalent Dwellings
@	-	11	-	(1.70)	9.30	5 / 9	5.17
A	4,912	16	327	(1,346.60)	3,908.40	6 / 9	2,605.60
B	12,139	46	691	(2,798.00)	10,078.00	7 / 9	7,838.44
C	17,772	14	626	(2,780.50)	15,631.50	8 / 9	13,894.67
D	12,889	(31)	390	(1,681.70)	11,566.30	9 / 9	11,566.30
E	7,614	(10)	403	(1,205.70)	6,801.30	11 / 9	8,312.70
F	5,124	(4)	116	(465.50)	4,770.50	13 / 9	6,890.72
G	4,221	(22)	41	(237.20)	4,002.80	15 / 9	6,671.33
H	437	(20)	8	(29.70)	395.30	18 / 9	790.60
	65,108	**-**	**2,602**	**(10,546.60)**	**57,163.40**		**58,575.53**
	Adjustment for new properties, collection rates, changes during the						780.77
	Less Council Tax Support Scheme						(3,504.93)
					Council Tax Base 2020/21		**55,851.37**

Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate.

The two multipliers set by Government are:

- The Small Business Non-Domestic Rate Multiplier of 49.9p for businesses with a rateable value of less than £50,999.
- The Non-Domestic Rate Multiplier of 51.2p for other businesses with a rateable value of £51,000 or greater.

The total rateable value of properties in the Warwick District area was £171,246,374 at 31 March 2021.

GLOSSARY

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

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

Actuarial Gain (Loss)
The changes in the pension fund's deficits or surpluses that arise because of:

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

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

Amortisation
The drop in the economic benefit value of capital assets as they become out of date or depreciate.

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

Band D Equivalent
Council tax is a tax on domestic properties. Each domestic property is placed in a 'Band' from A to H, based on the capital value of that property in April 1991. Band D is the middle band and the other bands are weighted in relation to Band D (e.g. Band A is weighted 6/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produces the 'Band D Equivalent' number of properties.

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

Billing Authority
This is the local authority which collects the council tax for its area. In shire counties the district or borough council is the billing authority.

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

Business Rates (Non-Domestic Rates – NDR)
Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound. From 1 April 2013 Government reforms have amended this process by allowing some degree of business rate retention.

Business Rate Retention Scheme
Council's are able to keep a proportion of the business rates revenue, as well as growth on the revenue that is generated in their area. It provides a direct link between business rates growth and the amount of money council's will have to spend on local people and local services.

Capital Adjustment Account
A reserve set aside from revenue resources or capital receipts to fund capital expenditure, or the repayment of external loans and certain other capital financing transactions.

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

Capital Receipt
Income from selling non-current assets. Capital receipts can be used to finance new capital expenditure or repay long term debt within rules set by central Government, but they cannot be used to finance day-to-day revenue spending.

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

Capital Spending Charged to Revenue
Paying for capital spending direct from the Council's revenue monies.

Cash-flow Statement
Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

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

Collection Fund
A fund managed by the billing authority (this Council), to receive business rates income and council tax income. It is also used to make payments to the national business rates pool and to pay a share of council tax collected to the County Council, Police Authority, this Council and the town and parish council's.

Community Assets
The class of fixed assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

Component Depreciation
Is a procedure in which the cost of a large item of property, plant and equipment is allocated to different components of the asset and each component is depreciated separately. This procedure is also referred to as componentisation.

Contingent Asset
An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

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

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

GLOSSARY

Council Tax
A tax charged on domestic householders based on which of eight Council Tax Bands their property falls into. There is a reduction for empty properties or if you live on your own. Since 1 April 2013 council's must have a council tax reduction scheme, which allows for council tax reductions for people, or classes of people, who are considered to be in financial need. In Warwickshire, the district or borough council issues council tax bills and collects the council tax. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

Council Tax Base
An assessment by each billing authority of the number of properties, converted to Band D equivalents (the average band), on which a tax can be charged. The calculation allows for new properties, exemptions, discounts, appeals and a provision for non-collection.

Credit Rating
A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the entity being able to pay back a loan.

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

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

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

Current Service Cost
The current service cost is the increase in the value of the pension scheme's future pension liabilities arising from the employee's ongoing membership of the pension scheme.

Current Spending
The yearly running costs of local authorities, not including specific grants and the cost of acquiring non-current assets.

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

Debtors
People who owe us money for goods and services that is not paid by the end of the financial year.

Depreciation
The drop in the economic benefit value of tangible non-current assets such as buildings and vehicles, which reflects wear and tear, age and obsolescence.

Earmarked Reserves
Money set aside for a specific purpose.

Expected Credit Loss
The probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of a financial instrument.

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

Financial Instrument
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

General Fund
The account that records and finances Council revenue expenditure, other than HRA.

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

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

Gross Spending
The cost of providing our services before allowing for Government grants or other income.

Heritage Asset
A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account (HRA)
A separate statutory account dealing with the revenue income and expenditure arising from the provision of Council-owned and managed dwellings.

Impairment
A reduction in the carrying value of a non-current asset as a result of a physical change in its condition, or a significant decline in its market value.

Infrastructure Assets
A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways, drains and footpaths.

International Financial Reporting Standards (IFRS)
Accounting standards / practices on the way we need to treat certain items in our accounts.

Inventories
Goods bought that have not yet been used. Also known as stock.

Investments
The purchase of financial instruments in order to receive income and/or make capital gain at a future time, however with the overriding concern being security of the initial sum invested.

Investment Properties
Land and/or buildings held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

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

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

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

Materiality
Information is material if its omission or misstatement, individually or collectively, could influence the decisions that users make on the basis of financial information about a specific reporting entity.

Minimum Revenue Provision (MRP)
The prudent minimum amount which the Council must set aside each year to repay loans and other long term liabilities such as finance leases. This has the effect of reducing the Capital Financing Requirement.

Net Book Value (NBV)
The balance sheet value of a non-current asset after depreciation and/or impairment.

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

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

Notional
An accounting entry where there is no actual cash transfer.

Operating Lease
A type of lease, usually of computer equipment, vehicles, office equipment, etc., where the ownership of the goods and any risks and rewards remain with the lessor, therefore it is revenue expenditure and not capital expenditure.

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

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

Pensions Interest Cost and Expected Return on Assets
All members of the scheme are one year older. The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund’s investments in the long-term.

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

Precept
The demand levied by a non-billing authority (County Council, Police Authority, parish and town council's) on the Collection Fund managed by a billing authority (this Council) towards their annual spending.

Property, Plant and Equipment (also known as Non-Current Assets)
A physical (tangible) asset that is expected to be held for operational purposes for several years, such as land, buildings and vehicles.

Provisions
Amounts set aside to meet specific service liabilities of uncertain timing or amount and to meet spending.

Prudential Code
A statutory code of practice introduced on 1 April 2004 by Part 1 of the Local Government Act 2003, which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

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

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

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

Reserves and Funds
Savings we have built up from surpluses that are carried forward to meet future obligations.

Revaluation Reserve
Store of gains on the revaluation of non-current assets.

Revenue Spending
Spending on the day-to-day running of services including salaries and wages, running expenses of buildings and equipment, contract payments, supplies and capital financing costs. These costs are met from council tax, business rates, Government grants, fees and charges.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

GLOSSARY

Revenue Support Grant
Traditionally the main Government grant to support local authority services. From 2019/20 onwards this reduces to nil for this Council.

Soft Loans
Loans made at less than the market rate of interest.

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

Surplus
The remainder after taking away all expenses from income.

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

To follow

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Warwick District Council

Annual Governance Statement 2020/21

1 Introduction

1.1 The Accounts and Audit Regulations 2015 require the Council to prepare an annual governance statement.

1.2 Governance is about how an organisation is directed and controlled in order to achieve its objectives. It therefore comprises the systems, structures and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct.

1.3 Good governance comprises robust systems and sound structures together with effective leadership and high standards of behaviour.

1.4 In short, governance is "Doing the right things, in the right way."

2 The purpose of the Annual Governance Statement

2.1 This Statement provides a summarised account of how Warwick District Council's management arrangements are set up to meet the principles of good governance set out in the Council's Constitution and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.

2.2 The format and scope of this Statement follows that prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3 The Council's Governance framework

3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

3.2 Warwick District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.

3.4 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled as well as its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

3.5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore provide only reasonable, not absolute, assurance of effectiveness.

3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE[1] Framework for Delivering Good Governance in Local Government (2016).

3.7 The Council's corporate strategy is set out in its Fit for the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved. The FFF programme is the key planning instrument for the Council. In February 2020 the Council adopted a new Business Strategy. The Strategy is based around five themes and will be used to identify and prioritise the work programme over the next three years.

3.8 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the Council's performance appraisal system. These include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and reported to the Overview & Scrutiny Committee. During the course of 2019/20, a new approach to performance management oversight was in development. Additional officer resource was recruited and 2020/21 saw a full roll-out of the revised approach.

3.9 Effective performance management oversight has not been fully-resolved, however, and the range and content of performance data that councillors receive is under review. In terms of governance, the scrutiny committees previously undertook programmed reviews of contract registers, service risk registers and performance data. This was discontinued due to the pressure on committees' workload. Scrutiny of these key governance mechanisms will form part of the review.

3.10 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committee, together with officer functions. It includes details of delegation arrangements, the Councillors' Codes of Conduct and protocols for councillor/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.

3.11 The Constitution contains procedures, rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team[2] (CMT).

3.12 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.

[1] Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives
[2] The Corporate Management Team comprises the Chief Executive and the two Deputy Chief Executives.

3.13 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.

3.14 The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team[3], with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.

3.15 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:

- Head of Finance reporting directly to Chief Executive.
- Head of Finance being a member of Leadership Team.
- Head of Finance having responsibility for Asset Management.

3.16 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior councillors. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has been in place for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. These arrangements were confirmed within the review of the Senior Management Team[4] (SMT) during 2021.

3.17 With regard to asset management, responsibility for this comes under the post of Head of Assets. As with all heads of services, the Head of Assets reports to one of the Deputy Chief Executives and is a member of the Senior Management Team.

3.18 The Executive provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.

3.19 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The roles of these committees include the opportunity to provide a robust challenge to the Executive.

3.20 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.

3.21 'Task and Finish' Groups, comprising solely councillors, are appointed by the Scrutiny Committees to examine various issues in detail. These Groups report back to their respective Scrutiny Committees with recommendations on improvements which are, when approved, taken forward.

3.22 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.

[3] In the Council's case, this is likely to be the Corporate Management Team.

[4] The Senior Management Team comprises heads of services together with the members of CMT.

3.23 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by councillors annually.

3.24 The Council has embedded Risk Management throughout its arrangements with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.

3.25 Council services are delivered by staff with the appropriate skills, training and level of experience. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.

3.26 The individual performance appraisal system has been operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Business Strategy. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.

3.27 Following the Local Elections in May 2019, it was agreed by the Executive, after discussions with all Group Leaders, to review the Democratic Structure of the Council. A Governance Working Party was set up within the Council (comprising Group Leaders plus an extra Member from each of the Conservative, Liberal Democrat and Green Groups) and a series of workshops led by the Centre for Public Scrutiny (CfPS) was run. As a result of the review, the Council has discontinued the majority of its working parties. These have been replaced by six Programme Advisory Boards (PABs). The PABs act in an advisory capacity, or providing guidance, in developing the projects/policies of Warwick District Council and in doing so, enabling backbench members to have greater involvement in shaping the Executive decisions of the Council, particularly on services, key projects and programmes (but not day to day operations). This also helps to utilise the skills, knowledge and talent of all Councillors in a more effective way.

3.28 The Council has also established a joint advisory group of Councillors and a Joint Cabinet/Executive Committee with Stratford-on-Avon District Council in respect of the South Warwickshire Local Plan. The latter had its first meeting in April 2021.

3.29 The two Scrutiny Committees have continued to reflect and develop their core areas of work. They have revised how they select areas for scrutiny, having developed and tested a method for selecting areas to look at. This was considered for formal adoption at the scrutiny meetings in April 2021.

3.30 The Council strives to be open and accessible to the community. All Council committee meetings are open to the public except where confidential matters are discussed. Due to the Coronavirus pandemic, significant changes had to be made to how Council meetings are held, details of which can be found in section 5 – The impact of the Coronavirus Pandemic. All agendas and minutes are placed on-line, along with the Council's policies and strategies. All Council meetings that are held in the Council Chamber, such as the meetings of the Council's Executive, are recorded. When identifying the priorities and objectives for Council strategies, the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account.

3.31 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.

3.32 At the end of 2019, the Council introduced the position of Performance Management Officer. Part of the role is to monitor the information published on the website to ensure it meets the 2015 Local Government Transparency Code. The Council strives to publish information that is accessible and understandable to Councillors and the public, and continues to seek to make improvements in this. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG).

3.33 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their Annual reports submitted to Council. This included the establishment of a Task & Finish Group to look at Equality and Diversity, with an emphasis on race.

3.34 Internal Audit reviews were undertaken during 2020/21 on a specific and pre-determined aspect of governance, namely the 'exempt' reports, and delegated decisions taken under the Chief Executive's 'emergency powers'.

4 Review of effectiveness

4.1 Warwick District Council is required legally to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, annual service assurance statements completed by heads of services and by the findings and reports issued by the external auditors and other review agencies and inspectorates.

4.2 More information on the arrangements that provide this assurance is set out below.

4.3 The Council's Monitoring Officer (one of the two Deputy Chief Executives) has responsibility for overseeing the implementation and operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, contemplating any changes that may be necessary to maintain it and ensure its effectiveness. All reports to Executive, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.

4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's finances. This includes responsibility for maintaining and reviewing the Code of Financial Practice and Code of Procurement Practice to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. An updated Code of Procurement Practice was agreed by Council in December 2018. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Executive and/or the Council. All reports to

Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.

4.5 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance and control environment and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2020/21 has concluded that, in overall terms, the areas audited were adequately managed and controlled.

4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.

4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case a review was undertaken during 2020/21. Some areas for improvement were identified with the principal one being that the service should undertake a more risk-based approach, particularly in regard to compilation of the Audit Plan. An essential element of the assessment is to confirm that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case. The findings of this review together with an action plan to address the issues raised were reported to the Finance and Audit Scrutiny Committee on 17 March 2021.

4.8 Grant Thornton was appointed as the Council's External Auditor for five years from 2018/19 to 2022/23 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2020/21 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources.

5 The impact of the Coronavirus Pandemic

5.1 On 23 March 2020, the Prime Minister made an unprecedented broadcast to the nation which, in effect, triggered a "lockdown" to limit the spread of coronavirus. An element of the lockdown instruction was that people would only be able to travel to work if it was necessary and the individual was unable to work from home. This had an immediate impact on the business of the Council; for both officers and Councillors.

5.2 In order to continue the delivery of services upon which our communities rely, a roll-out plan was developed to enable as many officers as possible to work from home and, where site visits were required, clear guidance was provided to staff to enable them to continue to provide essential services in a safe way that complies with social distancing guidance. In tandem with this, arrangements were made to enable the Council's Executive, Group Leaders and most senior officers to meet 'remotely' each Monday afternoon to provide the strategic oversight and direction for the Council at this most challenging of times. Meetings later moved to a monthly frequency as the national situation eased. Eventually, such meetings returned to those held to consider draft Executive reports and other Council business.

5.3 Arrangements were quickly put in place to enable the Chief Executive, in consultation with the Group Leaders, to make decisions on matters deemed to be an emergency. Shortly after this, Parliament put into law the Coronavirus Act 2020 which provided authority for the Secretary of State to make Regulations enabling Council committees to meet virtually. During the interim period, a temporary scheme of delegation was also put in place to enable decisions relating to key services to be made, including planning decisions that would otherwise have been determined by the Planning Committee.

5.4 Initially, the Senior Management Team met weekly to oversee the Council's response and ensure services were being delivered effectively. Later on in the year, it met fortnightly. The Portfolio Holder for Finance and Business – one of the Councillors on the Executive – was briefed regularly on the financial implications of the pandemic.

5.5 Another consequence of the pandemic has been that the Council has been unable to hold Council, Executive and Committee meetings in a physical setting. Initially, for the first couple of the months of the pandemic impacting on the Council and the provision of services, committee meetings were suspended with a Leadership Coordination Group being established to make decisions. In addition, the Chief Executive was given delegated powers to make decisions that normally would have to be made by the Executive.

5.6 Eventually, regulations were introduced by the Government that enabled committee meetings to take place remotely, under specific conditions. In response to this, the Democratic Services Team worked with ICT to deliver the Council's meetings via 'Microsoft Teams', with a live broadcast linked through to YouTube. While it was a priority to get meetings functioning again, it was also important that procedures were in place to ensure that the meetings were run effectively in order to avoid some of the problems that occurred at certain other councils.

5.7 Democratic Services developed a rollout programme of meetings with testing and increased complexity. The Council now has a robust procedure in place for remote meetings, which has led to widespread positive feedback from officers, councillors and residents. With broadcasting via YouTube, the Council has significantly increased its presence on social media as well, with over 350 new subscribers to the channel and tens of thousands of views across the numerous committee meetings that have been broadcast.

5.8 The August meeting of the Overview & Scrutiny Committee established a 'Task and Finish' Group comprising six Councillors to undertake a 'Step Back Review' of the Council's response to the pandemic and identify learning points. The Group covered the following five areas:

1. Initial response to move council from HQ based to working from home
2. Liaising and working with other authorities
3. Change in service delivery (for example green bins)
4. Communications to the wider community
5. How the business of the Council (as opposed to day to day services) was managed, specifically on how decisions made during the hiatus were open to scrutiny.

5.9 The Group identified eight broad findings and made six comprehensive recommendations. Through the Overview & Scrutiny Committee, the Group reported its findings and recommendations to Executive on 18 March 2021. These were wholly adopted by Executive.

5.10 In general terms, the pandemic has revealed many issues the Council will need to reflect on once business returns to a steady state. It is already clear that the possibilities provided by new technology need to be fully harnessed to improve factors such as: work/life balance; equality, diversity, and inclusion; environmental impact; and health and well-being of both officers and Members.

5.11 A consequence for the Council of the pandemic has been the reduction in income from sources such as parking charges, planning fees and rent and service charges. Whilst it is not the remit of Annual Governance Statement to go into the detail of the impact, there will be issues of financial governance to reflect upon which must cover management, monitoring, review and scrutiny.

5.12 The financial implications fall broadly into the following areas:

- Additional costs relating to the crisis.
- Reduced service income as service provision and demand has reduced.
- Impact upon 2021/22 Budget and Medium Term Financial Strategy, and Housing Revenue Account Business Plan.
- Significant sums of additional Government funding for business to be administered by the Council by way of additional business rate relief and business grants.
- Impact on individual Council projects and the capacity of the Council to undertake those projects in the short and medium term.

5.13 In order to help to mitigate the financial impacts of the pandemic upon local authorities, the Government has issued various ring-fenced and non-ring-fenced grants. Whilst this has significantly assisted the Council's finances in 2020/21, it did not fully compensate for the financial losses. With the impacts of the pandemic continuing into 2021/22, the Council's finances remain at risk as a result of the pandemic.

5.14 The on-going financial implications need to continue to be assessed by officers throughout 2021/22 and be reported to members to help to inform the decision-making process.

6 **Joint working with Stratford-on-Avon District Council**

6.1 At the start of the year, Warwick District Council and Stratford-on-Avon District Council agreed to work more closely together to obtain various operational benefits. Later, a report went to Warwick District Council's Executive in July 2020 setting out a number of reasons for further integration with Stratford-on-Avon District Council, as follows:

- A strong political relationship between the two organisations
- Recognised sense of place
- Consistent geography already established for the South Warwickshire Community Safety Partnership, Shakespeare's England, and South Warwickshire Health Partnership
- Single economic geography with significant number of residents, living in one district and working in the other
- Increased effectiveness, efficiency and ability to deliver value for money
- by the two authorities
- Ability to produce a joint spatial plan for South Warwickshire, which would set a clear footprint for the area and result in reductions in the cost of producing such a plan
- Ability to have some further influence in relation to the Coventry & Warwickshire Local Enterprise Partnership through having an enhanced voice
- Take advantage of current vacancies in management teams at both Councils
- Ability to jointly commission contracts to obtain increased economies of scale and improve services.

6.2 Since this meeting further work has continued in relation to the sharing of management team positions. As at the date of this updated Statement (end of October 2021), all 12 Head of Services positions are joint roles across the two authorities, including the Head of Financial Services (s151 Officer); the Head of Law and Governance (Monitoring Officer); and the two Deputy Chief Executives. There is now a Joint Management Team (JMT) comprising those Heads of Services together with the Chief Executives and Deputy Chief Executives. This will change further by March 2023 to 10 Heads of Service and one Chief Executive position. The Cabinets of both Councils have also aligned their portfolios and meet regularly albeit on an informal basis.

6.3 As a prelude to further staff integration the following policies have now been aligned:

- Joint Organisational Change Policy Statement
- Joint Redeployment Policy and Procedure
- Joint Redundancy Policy and Procedure.

6.4 In relation to joint contracts and arrangements, the Waste Management Contract was procured jointly and both authorities have agreed a more detailed paper on preparing a Local Plan for South Warwickshire. A joint SDC/WDC Cabinet/Executive meeting considered this matter at its inaugural meeting in April 2021.

6.5 In order to learn lessons from their experiences, both councils are now benchmarking with other councils that have recently formed ‘super districts’.

6.6 The international accountancy and consultancy firm, Deloitte, was commissioned to undertake a review of the financial and non-financial benefits of further integration, up to and including the possibility of a full merger between the organisations.

6.7 The recommendation from Deloitte was that in order to achieve the maximum potential financial and non-financial benefits for the residents of South Warwickshire a full merger of the two councils should be considered.

6.8 Alongside the potential benefits the report also identified the risks and disbenefits that may arise from a merger of the two authorities. However, Deloitte contend that “the risks can be mitigated and so the very clear benefits outweigh the potential risks given the opportunity for mitigation.”

6.9 The overall conclusion of the report was:

> *“This high-level business case has found a strong strategic, financial and operational case for merging the two Councils. Such an initiative would have risks that could lead to dis-benefits, but these risks could be managed through an effective implementation approach.*
>
> *Should the two Councils decide to proceed with this initiative, substantial further planning and due diligence should be undertaken to establish a detailed implementation plan.”*

6.10 The report can be viewed by clicking on the following link: Deloitte Report

6.11 In February 2021 both Councils committed to seeking a full merger to create a new single statutory council for South Warwickshire by 2024.

6.12 The Local Government and Public Involvement in Health Act 2007 permits councils to merge. Although it is clear from public statements that the Minister of Housing, Communities and Local Government (MHCLG) is supportive of the concept of district councils merging it would still be necessary for a formal submission to be made from the two authorities to central government and for this to command local support.

6.13 The Council proposes to expand the risk register set out in the Deloitte Report to provide a much more detailed risk register. This will be an important part of moving forward with the proposal to merge.

6.14 In terms of scrutiny of the proposed merger and the joint Local Plan, the approach is being developed at the time of producing this Statement. The latest thinking is set out in the following paragraphs.

6.15 The Chairs of the two Scrutiny Committees have identified five broad themes to guide the process of scrutiny of the proposed merger:

1. Impact on services to residents
2. Democratic Representation
3. Impact on Strategic Priorities
4. Finance and Council Tax
5. Communication and Consultation

6.16 Additional focus would be given to specific services (e.g. Neighbourhood Services, Green Spaces) and the importance of understanding the interrelation with Parish & Town Councils.

6.17 The Chairs of the two Scrutiny Committees agreed the following recommendations:

- Scrutiny for the merger should continue to be done separately by the two Scrutiny Committees but that the Chairs should consult frequently to ensure that there is good synergy between the work of the committees.
- Scrutiny be conducted in line with the five themes identified, with specific service areas as identified being covered in the 'Impact on Services to Residents' theme, and the impact on Town and Parish Councils should become a cross-cutting theme.
- Committee Services be asked to prepare a scrutiny plan which outlines a timetable for Scrutiny Committees to consider these themes (the timetable giving sufficient scope for the Committees to influence the development of policy rather than simply reviewing it).
- The Council should seek additional resource to support the scrutiny of this programme, both in terms of support from officers and from the Centre for Governance and Scrutiny.

6.18 In regard to the joint Local Plan, the Chairs agree with the Executive that joint scrutiny with Stratford-on-Avon District Council is appropriate. The Chairs of the Scrutiny Committees are to meet with relevant officers and agree an approach in the new Council year.

7 Significant Governance Issues

7.1 There are clearly major risks associated with the proposal to merge Warwick District Council and Stratford-on-Avon District Council. A comprehensive joint Risk Register in relation to this project needs to be prepared and monitored.

7.2 Business Continuity Plans have been neglected during the pandemic. In the light of extensive homeworking service business continuity plans need to be reviewed and updated.

7.3 The range and content of performance data that councillors receive is under review. As part of this, the review needs to consider how best Councillors can fulfil their scrutiny role of contract registers, service risk registers and performance data to ensure that the information can be accessed by Councillors and brought forward for detailed scrutiny as deemed necessary.

8 Certification

8.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2021 and up to the date of approval of the annual statement of accounts.

Signed:

Councillor Andrew Day Leader of the Council	Christopher Elliott Chief Executive

Dated:

29 October 2021	29 October 2021

Agenda Item No 6
Finance & Audit Scrutiny Committee
3 November 2021

Title: A follow up report looking into the progress made by Just Inspire in terms of their recovery
Lead Officer: David Guilding (01926 456230 david.guilding@wawickc.gov.uk)
Portfolio Holder: Councillor Liam Bartlett
Wards of the District directly affected: N/A

Summary

It was agreed at a previous meeting of the Finance and Audit Scrutiny Committee that a report would be brought to a future meeting to set out the progress of Just Inspire in operating the Glasshouse Restaurant, and reporting their recovery after the Covid-19 pandemic.

Recommendation(s)

(1) That members of the Finance and Audit Scrutiny Committee note the report and highlight any specific issues that they would like the Culture, Tourism and Leisure PAB to consider when they discuss this report on 11th November 2021.

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1 Background/Information

1.1 Just Inspire, a local, independent, family-run business was appointed to manage the catering and events operation at various Council sites in January 2019 as part of a tripartite Catering and Events Concessions contract between the Council's Creative Quarter regeneration partner, Complex Development Projects (CDP), Just Inspire and the Council.

1.2 The Catering & Events Concessions contract encompassed the Restaurant in the Park (part of the Glasshouse in Jephson Gardens) and the Café, Assembly Rooms and Annexe at the Royal Pump Rooms. The Council benefitted financially from commission on all income generated by the contract and through a proportion of overheads for those venues being charged back to the catering and events provider.

1.3 Since they first began trading in March 2019 Just Inspire encountered significant challenges in developing the functions and events aspect of the business at the Royal Pump Rooms and therefore revenue had been much lower than anticipated. As a result, in September 2019 Just Inspire indicated to the Council that they would become insolvent by the end of October 2019 if no action was taken. Whilst Just Inspire had proven to be an excellent catering and events partner for WDC, with exceptionally positive customer feedback and had met the detailed expectations of the Catering & Events Concessions contract specification, they anticipated a significant gap in their cash flow and issued the stark warning that this was so severe that the business would become insolvent.

1.4 In order to mitigate the potential impact of the catering provider being unable to deliver the Catering and Events Concessions contract was varied in late 2019 in order for Just Inspire to be released from operating the Royal Pump Rooms café and Assembly Rooms. Since that time, they have operated the Glasshouse restaurant as a standalone operation.

1.5 The Royal Pump Rooms Assembly Rooms and Annexe events spaces have since been directly managed by WDC's Arts team.

1.6 Since 1st June 2020 the Royal Pump Rooms café has been rented by a local café operator, The Larder, on a 5-year lease agreement. The opportunity was advertised in November 2019 and attracted a great deal of interest from local businesses. The rental level was assessed and set at a competitive market rate by the Council's independent property advisor. Although the commencement of the lease was delayed by three months due to the Covid-19 pandemic, the café is now thriving and has become an asset to the Royal Pump Rooms.

1.7 **Performance of Just Inspire**

1.7.1 Just Inspire had accrued a debt in the region of £53,000 to Warwick District Council by the end of 2020. Just Inspire committed to repaying this debt through a structured repayment plan by the end of the contract period. It became necessary to pause this repayment plan during the Covid-19 pandemic as the resulting Government restrictions made it impossible for Just Inspire to trade. There was no trading at all between January 2021 to the end of April 2021. The end date of the Catering and Events Concessions contract was subsequently extended in January 2021 to the maximum length permitted by the terms of the Extension Clause to 4th January 2024 in order to allow adequate time for the repayment plan to be completed. The outstanding amount is currently £40,643 and this began to be paid off again on a monthly basis from July 2021. The full amount will be paid by the end of 2023.

1.7.2 During the Covid-19 pandemic Just Inspire were able take advantage of all government grant aid available to them. They accessed a 'bounce back' loan to ensure they would be able to continue trading but have used little of it. This is held in a reserve account as an insurance. All but one of the wedding bookings that they had scheduled for 2020 have moved to 2021/22. When they were able to do so Just Inspire opened the Glasshouse as a takeaway 'Street Food' operation which proved to be very popular and allowed them to keep their core staff employed. The Glasshouse reopened as an events venue in 2021 as soon as government restrictions allowed for functions and wedding ceremonies to go ahead.

1.7.3 Trading has improved significantly since the end of April 2021 and they have delivered 26 events since reopening. Just Inspire have carried forward a cumulative loss of £55,000. However, their projected full year profit for 2021/22 is circa £30,000, leaving £25,000 of cumulative losses. This forecast is based on confirmed advanced bookings only, so should improve as the market improves. Just Inspire's cashflow projections are also reassuring with their current account cash at the end of April 2022 projected to be circa £50,000. Again, based on confirmed orders only, their projected profit for the first half of 2022/23 is circa £50,000. These are traditionally their best trading months in the year, but it is still very encouraging.

1.7.4 Having downsized dramatically during the Covid pandemic, Just Inspire were able to appoint a General manager in the summer and are recruiting a Head Chef to work alongside their Executive Chef Russell Backwell. They are now also in a position to recruit a back of house role to free up the Director's time to focus on sales and marketing. Recruiting frontline serving staff at the current time is proving to be extremely challenging, which is nationwide problem. Just Inspire have a long-term relationship with a staffing agency which has meant they have been able to continue to staff events. However, this is a high cost and the intention is to recruit their own local workforce and minimise the use of agency staff.

1.7.5 The Glasshouse is primarily used for weddings, functions and private events, as previous attempt to create a 'pop-up' restaurant have failed. However, Just Inspire are keen to keep the venue accessible to the local community and introduced a monthly 'Sunday Lunch' event which has proven to be very popular, regularly attracting 70 covers. Even so, this is operated on a 'breakeven' basis and has not proven to be profitable. Just Inspire have repeatedly shown that they are willing to work with the local community and support events whenever they can – including Warwickshire Open Studios' Plein Air event in the summer and Heartbreak Productions.

1.7.6 Just Inspire have a five-star rating on all of the review websites and have received 100% positive feedback from events they have delivered. Their reputation as a quality, welcoming events venue is now well established. The performance of the Catering and Events Concessions contract is monitored through quarterly monitoring meetings where financial performance, quality of service and customer feedback, food safety and health and safety are assessed.

2 Alternative Options available to (name of Committee/Cabinet etc.)

2.1 N/A

3 Consultation and Member's comments

3.1 N/A

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 N/A

4.2 Financial

4.2.1 The debt repayment plan continues to be paid by Just Inspire on a monthly basis, along with the Service Recharges and Concession on events.

4.3 Council Plan

4.3.1 N/A

4.4 Environmental/Climate Change Implications

4.4.1 The Glasshouse Restaurant is included in a WDC project which seeks to lower the carbon footprint of the building.

4.5 Analysis of the effects on Equality

4.5.1 N/A

4.6 Data Protection

4.6.1 N/A

4.7 Health and Wellbeing

4.7.1 N/A

5 Risk Assessment

5.1 Whilst the impact of the Covid-19 pandemic continues to be felt in the hospitality industry there will remain a high risk of the Catering and Events Concessions contract failing as it is ultimately dependant on the market. As the Glasshouse and the Royal Pump Rooms café are operated by small independent businesses, they are vulnerable to changes in the economy. Small businesses are often less resilient than larger organisations and there is an increased risk that the catering providers may fail. Officers shall continue to monitor the operation closely in order to ensure that any issues are identified quickly.

5.2 Although Just Inspire have provided a detailed revised business case there is a risk that the business will fail and the Council would not recover what is owed. This risk is, in any case, mitigated as Just Inspire have been open and transparent throughout this process and they have been able to show an increase in bookings for the Glasshouse for 2021/22.

6 Conclusion/Reasons for the Recommendation

6.1 Although there remain significant financial challenges and uncertainty for Just Inspire, and the hospitality industry more widely, officers are confident that the company had a good, robust approach to handling the business throughout the pandemic, particularly in how they have managed clients whose weddings had to be postponed and retained business. The quality of the offer continues to be excellent and in line with the terms set out in the Catering and Events Concessions Contract.

6.2 A report is scheduled to go to the Culture, Tourism and Leisure PAB on 11th November to consider options for the future relationship between the Council and Just Inspire.

Background papers:

N/A

Supporting documents:

N/A

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Finance & Audit Scrutiny Committee, 3 November 2021
Title of report	A follow up report looking into the progress made by Just Inspire in terms of their recovery

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)		
Portfolio Holder WDC & SDC *		Cllr Bartlett
Financial Services *		Mike Snow
Legal Services *		
Other Services		
Chief Executive(s)		Chris Elliott
Head of Service(s)		Rose Winship
Section 151 Officer		
Monitoring Officer		
CMT (WDC)		Andrew Jones
Leadership Co-ordination Group (WDC)		
Other organisations		

Final decision by this Committee or rec to another Ctte/Council?		Recommendation to :Cabinet / Council …………………………….Committee

Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		Yes, Paragraphs : 1.71, 1.7.3
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

Title: Update on Joint Work with SDC
Lead Officer: Chris Elliott (01926 456000)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: All

Summary

It was agreed at a previous meeting of the Overview and Scrutiny Committee and of the Finance and Audit Committee that a report would be brought to each meeting to set out the progress of the work being done to enable effective Scrutiny of the proposals.

Recommendation

(1) That the contents of the report and appendices are noted and any comments arising are presented to the Cabinets of both Councils and the Joint Advisory Steering Group (JASG).

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1 Background/Information

1.1 This report re iterates the vision agreed by both Councils and the reasons for undertaking this approach; sets out work done to date; the next steps; the key benefits; and the key milestones and intended overall outcome. The changes form the last report are set out in italics.

1.2 Vision – both SDC and WDC at their respective Full Councils agreed the following vision:

To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford on Avon District Council and Warwick District Council by 1st April 2024.

1.3 Reasons for undertaking this approach:

- Both Councils have significant financial pressures
- Both Councils wish to continue to provide valued services to residents/businesses/local communities
- The two Councils have a good track record of partnership
- There is a shared economic geography between the two Councils
- There is a shared sense of community between the two Councils' areas
- There is a very strong political relationship in place
- The two Councils are within the same County Council area.

1.4 Work done to date (including ongoing work) includes:

- Deloitte Report commissioned and agreed by both setting out the high-level business case for the creation of a single South Warwickshire Council
- Vision stated above (paragraph 1.2) agreed by both Councils
- The Cabinet portfolios for both Councils are fully aligned
- Joint contract awarded for the Refuse and Recycling Service
- Developing jointly a South Warwickshire Local Plan
- Developing a joint Regulatory Services Enforcement Policy
- Developing a South Warwickshire Economic Strategy
- Agreed a shared set of ambitions regarding the Climate Emergency
- Joint Staff/HR policies agreed
- Agreed and have appointed a Transformation Programme Manager and Programme Support Officer
- Established a governance regime via the creation of an officer Programme Board (which meets weekly) and the Councillor led Joint Arrangements Steering Group (Reports and Notes of meeting available on the South Warwickshire Together Hub)
- Work on due diligence financially undertaken by LGA consultant and reported to JASG
- Regular meetings with Unison (both branches) on a fortnightly basis
- Communication Hub for all Staff and Councillors of both Councils established – South Warwickshire Together Hub
- Leaders and CEOs meet fortnightly
- Joint Management Team meets weekly (2 vacancies immediately saved)
- Discussions have started with the Government regarding the creation of a single South Warwickshire Council
- Agreed paper for public consultation proposals
- Sharing experience and likewise gaining experience from joint work of other Councils including those who have merged and those who are also considering the same step
- Update presentations given to Councillors, members of staff and Service Managers
- Scrutiny Chairs of SDC/WDC have met
- Start of public consultation on proposal from 6th September to 24th October – 600 representatives of the community directly surveyed; open form available for all to make their comments; stakeholders notified and asked for comments; focus groups for local residents; parish/town council; community/voluntary; business.
- *CEOs have held a consultation session with over 50 Parish/Town Councils; and with business representatives of the Chamber of Commerce; almost 600 staff have attended CEO briefing sessions. All 3MPs have been briefed.*
- *Programme of Service Integration and about principle of sharing an HQ was subject to a separate report that has been agreed by both Cabinets.*
- *Business Case for Joint Legal Service integration was agreed by both Cabinets.*
- *Report to Employment Committee re use of Section 113 Agreements for the Service Integration process.*

1.5 The next steps include the following:

- Both Councils to consider the decision to make a formal application to merge the two organisations to create a single South Warwickshire Council – on Monday 13th December

1.6 The expected benefits include:

- Delivery of significant net savings as envisaged in the Medium-Term Financial Strategy
- Enhanced partnership working
- Increased presence, influence, and strategic voice
- Increased service resilience
- Improved customer experience – residents and business
- Strengthened workforce opportunities arising from a larger workforce

1.7 The key milestones are:

- Agreement to the business case to be submitted to Government on 13th December 2021
- Approval granted by the Secretary of State within a year of the submission date
- Shadow Council in existence from April 2023 – elections inc. those of Parish deferred for a year
- All services merged by March 2024 having started the process in November 2021
- New Council comes into life on 1st April 2024
- Elections to new Council in May 2024

1.8 The overall outcome would be that a new South Warwickshire Council which has a sustainable financial foundation and so is able to deliver transformed, and relevant services for the residents, businesses, and communities of the area.

2 Alternative Options available to (name of Committee/Cabinet etc.)

2.1 Strategic options were evaluated as part of the work done for the public consultation and can be seen at the Hub.

3 Consultation and Member's comments

3.1 The purpose of this report is to enable Members to make comments.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 If so decided by Members, and then by the Government, the proposal will have very significant legal implications in that both SDC and WDC will cease to exist and a new legal identify will come into being.

4.2 Financial

4.2.1 This report does not impact on the budgetary framework or budget, but the subject matter of the report will have an impact.

4.3 Council Plan

4.3.1 Fit for the Future (FFF)

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

4.3.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found on the

Council's website. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.4 **FFF Strands**

External impacts of proposal(s)

People - Health, Homes, Communities - The report will have no direct impact for the community at this stage, but the overall programme will assist with the ability to continue to provide services.

Services - Green, Clean, Safe – As above.

Money- Infrastructure, Enterprise, Employment – As above.

Internal impacts of the proposal(s)

People - **Effective Staff** – The joint work will offer better protection to staff than the alternatives and by being part of a larger workforce it will offer more opportunities for training and progress.

Services - Maintain or Improve Services – The joint work is intended to better enable the two Councils to maintain or improve their services.

Money - Firm Financial Footing over the Longer Term – It is intended that the work does provide for a firm financial footing over the longer term.

Supporting Strategies & Changes to Existing Policies – The joint work will impact on the two Council's policies. Part of the Programme of work will be to bring the policies of the two Councils into line over the period to 2024 and in some cases beyond that.

4.5 **Environmental/Climate Change Implications**

4.5.1 The Councils have agreed a common set of priorities on Climate Change.

4.6 **Analysis of the effects on Equality**

4.6.1 A high-level impact statement prepared in conjunction with public consultation can be seen on the consultation website and will also be published on the South Warwickshire Together Hub.

4.7 **Data Protection**

4.7.1 Not applicable.

4.8 **Health and Wellbeing**

4.8.1 An indication of what might be possible is set out in a separate report on the November Cabinet agenda.

5 Risk Assessment

5.1 A risk register for the joint work is being developed and is attached as Appendix 1 for consideration and comment.

6 Conclusion/Reasons for the Recommendation

6.1 This report sets out current position on the work being done jointly with SDC.

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Overview and Scrutiny/Finance and Audit Committee 2nd/3rd November 2021
Title of report	Update on Joint Work with SDC

Consultations undertaken		
Consultee *required	**Date**	**Details of consultation /comments received**
Ward Member(s)	-	
Portfolio Holder WDC & SDC *	18.10.21	Cllr Hales
Financial Services *	18.10.21	Mike Snow
Legal Services *	18.10.21	Phil Grafton
Other Services	-	
Chief Executive(s)	18.10.21	Chris Elliott
Head of Service(s)	-	
Section 151 Officer	18.10.21	Mike Snow
Monitoring Officer	18.10.21	Phil Grafton
CMT (WDC)	18.10.21	Chris Elliott, Andy Jones, Dave Barber, Tony Perks
Leadership Co-ordination Group (WDC)	-	
Other organisations	18.10.21	SDC

Final decision by this Committee or rec to another Ctte/Council?		Recommendation to Overview and Scrutiny Committee/ Finance and Audit Committee
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

South Warwickshire Together

Programme Risk Register

			Likelihood					
			Rare	Unlikely	Possible	Likely	Very Likely	
Score			1	2	3	4	5	
Impact	5	Catastrophic	5	10	15	20	25
	4	Major	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Negligible	1	2	3	4	5

Ref	Risk Owner	Risk Description	Potential Consequences	Risk Rating			Mitigation	
				Likelihood	Impact	Overall Risk Rating	Existing Controls	Proposed Actions/Comment
PR001	Programme Board	One or both Councils voting against a full constitutional merger	Both councils would have to seek further options to achieve savings and efficiencies Both Councils not realising the full potential of financial and non financial benefits	3	4	12	Continue to build a strong record of collaboration between the two Councils, strengthening the rationale for merging. Consult the public and show the results of this consultation. Openly and regularly engage with elected members about the outcomes of all options ahead of key decisions	Build a strong business case showing clear financial and non-financial benefits.
PR002	Programme Board	The Government may not give assent to the merger proposal.	Both councils would have to seek further options to achieve savings and efficiencies Both Councils not realising the full potential of financial and non financial benefits	3	4	12	Continue to build a strong record of collaboration between the two Councils, strengthening the rationale for merging. Consult the public and show the results of this consultation.	Build a strong business case showing clear financial and non-financial benefits.
PR003	Programme Board	A submission to merge the district councils could trigger a local government reorganisation review for the whole Warwickshire area	An invitation from Government would have to be responded to within a given timescale.	3	3	9	Previous scoping work has been undertaken in consultation with other district and borough councils that began to explore local government reorganisation options.	To note,this is not the primary intention of the proposed merger of the two district councils. Maintain dialogue with the DLUHC on position.

Ref	Risk Owner	Risk Description	Potential Consequences	Risk Rating			Mitigation	
				Likelihood	Impact	Overall Risk Rating	Existing Controls	Proposed Actions/Comment
PR004	Programme Board	Establishment of a larger local authority could lead to a 'democratic deficit' as a result of the reduction in the overall number of elected members.	Residents feeling further removed from their representatives	2	3	6	Maintain established links with Town and Parish Councils.	Establish arrangements to help elected members encourage community participation in decision making. Exploit the opportunities that modern technology offers to increase engagement between residents and elected members.
PR005	Programme Board	A bigger council may result in diseconomies of scale	If unchecked, could risk long term sustainability of local government.	2	4	8	Alignment of organisational policy, processes and contracts has begun.	Any changes to services should be carefully assessed and the right scale for all services should be found. Services do not have to be delivered at the super-district level if they are better delivered more locally. Economies of scale should only be made when suitable.
PR006	Programme Board	Lack of programme management and transformation capacity and capability to deliver the merger and transformation around the same time.	Failure to effectively manage interdependencies between transformation activities may lead to increased cost of delivery and / or implementation delays.	3	3	9	Transformational funding will be required to fund additional Council Staff posts to manage the change. This has been initially agreed at £200k annually for a 3 year period and will be monitored by the programme board. Programme Management Office (PMO) established to track and monitor delivery of the programme, realisation of benefits (with measurable targets), risk management, member engagement, governance and reporting.	Take a phased approach where the merger is implemented first along with robust change management processes before wider large scale transformation takes place will help ensure there is sufficient change management capacity. Additional funding for ICT, redundancy and external advice will be required to enhance the full potential outcomes and benfits to be realised in time. Where appropriate buy in the skills and capacity needed. Ensure timescales are realistic based on the resources available. Assessment of support required by services for their alignment.

Ref	Risk Owner	Risk Description	Potential Consequences	Risk Rating			Mitigation	
				Likelihood	Impact	Overall Risk Rating	Existing Controls	Proposed Actions/Comment
PR007	Programme Board	Newly formed teams and organisational cultures are not fully integrated	Could lead to staff issues such as reduced morale and increased staff turnover.	3	4	12	A clear rationale and set of principles for service integration are developed to integrate teams and enable further optimisation to take place afterwards. A communications strategy and plan should be produced explaining the transition process and the operating principles of the new authority.	Design and delivery of the 'One Team' Workstream will seek to implement culture change activities and initiatives. Identify opportunities to create capacity through new staffing models. Maximise the opportunities afforded by workforce agility, technology and partnership working with other public sector agencies. Senior leadership should model the new behaviours and actively manage culture change during the transition. Embed new ways of working into performance management and reward systems. Identify staff change champions.
PR008	Programme Board	Anticipated savings are not achieved and/or transition costs exceed estimates.	This may impact on the financial resilience of the new council.	3	4	12	Establishment of a programme management office. Undertake regular reviews of the savings profiles and calculations during implementation to ensure they remain realistic and achievable.	Develop thorough and realistic cost and savings plans. Use scenarios to stress test best and worst case outcomes.
PR009	Programme Board	Failure to effectively manage interdependencies between transformation activities may lead to increased cost of delivery and / or implementation delays.	May lead to increased cost of delivery and / or implementation delays.	3	4	12	Establishment of a programme management office Development of a detailed implementation plan. Implement a robust change management process.	Receive regular reports from workstream leads

Ref	Risk Owner	Risk Description	Potential Consequences	Risk Rating			Mitigation	
				Likelihood	Impact	Overall Risk Rating	Existing Controls	Proposed Actions/Comment
PR010	Programme Board	Integration of ICT systems across the two councils	The complexity of IT integration may undermine and put at risk the potential benefits of common working practices gained from IT integration.	4	4	16	The future IT architecture will need to be defined and the current position baseline understood. A clear plan for migrating IT systems during the migration implemented within the ICT and Digital Workstream	Being realistic about the pace of ICT integration - it will take several years and a lot of investment. Needs to correlate with the digital strategy and customer access strategy, when developed. Plan and estimated cost (including support) of ICT intergation programme required.
PR011	Programme Board	Preparing for the transition may draw resource away from delivering other council strategies and plans.	Reduction in performance and service delivery levels. Increase the risk of service disruption and reduce resilience of the existing and new council.	3	4	12	Development of a robust implementation programme plan, including more detailed plans of contributory workstreams and change activities. Manage the resources required to contribute towards the development and implementation of the programme of change	Test resilience to ensure crisis systems, risk capacity and risk management systems are in place. Establish a clear split between those working on the merger and those running the operational business and bring in additional resources where there are capacity and skills gaps.
PR012	Programme Board	The Grading Review as part of this process may result in potential extra costs due to some posts being uplifted and others being protected.	Could compromise the delivery of anticipated savings	3	3	9	Review potential savings on a continual basis through the implementation phase, especially during service integrations. Implement agreed Joint HR Policies	Implement a single job evaluation scheme by the time of the proposed merger. Further alignment of Terms and Conditions Cost of job evaluation process, outcomes and salary protction to be estimated.

Ref	Risk Owner	Risk Description	Potential Consequences	Risk Rating			Mitigation	
				Likelihood	Impact	Overall Risk Rating	Existing Controls	Proposed Actions/Comment
PR013	Programme Board	Implementation of a major change may be seen as a capacity risk at a time when there will also be a major focus on COVID-19 recovery activities.	Reduction in performance and service delivery levels	3	4	12	Joint management team to monitor matters arising within their service service areas and to escalate to the Programme Board accordingly.	Set out clear timescales and resource implications for implementation, and ensure these can be met under the current ways of working and COVID-19 pressures (including any backlog of work due to the pandemic). Review capacity against the timescales and resource requirements, and identify gaps where recruitment / external support is required.
PR014	Programme Board	The process of agreeing a new service design could lead to a service that is not ideal for either predecessor.	Reduced levels of service delivery for the existing councils now and threaten the effectiveness in a new Council.	3	4	12	Ensure the implementation plan allows enough time for services to be co-designed and agreed upon. Establish a clear rationale and principles for service integration and optimisation.	Any changes to services should be carefully assessed and the right scale for all services should be found. Services do not have to be delivered at the super-district level if they are better delivered more locally.
PR015	Programme Board	Significant changes in operational and political leadership	Could impact negatively on the appetite for shared services and joint working.	2	4	8	Robust terms of reference for the governance structures establshed for the programme A communications strategy and plan developed to explain and relay the transition process and principles of the change programme.	Senior leadership should model the new behaviours and actively manage culture change during the transition. Identify staff and member change champions across both Councils through One Team Workstream.
PR016	Programme Board	Lack of customer/stakeholder focus	Increase in complaints from customers. Loss of faith and support in current and proposed organisation of local government	2	4	8	Communications and engagement plan to include activities for key stakeholders including residents	Further engagement to take place at different stages in the run up to becoming a single Council
PR017	Programme Board	Underestimate of start-up and delivery costs	Increased budget spend could hamper any expected savings	3	3	9	Financials to be regularly reviewed through the programme lifecycle including spend and savings	Additional funding for ICT, redundancy and external advice will be required to enhance the full potential outcomes and benefits to be realised in time. Estimated costs being re-assessed for consideration by Board.

Ref	Risk Owner	Risk Description	Potential Consequences	Risk Rating			Mitigation	
				Likelihood	Impact	Overall Risk Rating	Existing Controls	Proposed Actions/Comment
PR018	Programme Board	Loss of service performance and council reputation	Increase in complaints from customers. Loss of faith and support in current and proposed organisation of local government	3	4	12	Joint Management Team oversee KPIs for their service areas and to escalate	Programme schedule to be reviewed regularly to reduce impact on business as usual service delivery
PR019	Programme Board	Not standardising policies and procedures, especially at organisational level	Left unchecked, this could lead to issues of imbalance and increase potential for mis management and underperformance	2	4	8	Organisational policiy alignment and harmonisation to be led through the Organisational Development Workstream Acknowledgment that this will take a considerable amount of time and effort.	Once integrated, service areas to further explore these through service delivery / action plans The corporate strategy workstream would seek to address this wider in the transitional run up to becoming one Council
PR020	Programme Board	Getting accurate comparable data on unit costs	Savings profile for both Councils could appear imbalanced	4	3	12	Acknowledgement of the current MTFPs of both councils and the associated savings.	Consolidating and creating a single MTFP
PR021	Programme Board	Political balance and constitution of each Council could present challenges for key decisions and milestones.	Protracted decisions could lead to delays in programme and operational delivery	3	4	12	The Joint Arrangements Steering Group, with agreed representation and the group leaders from both Councils is used as an initial discussion forum ahead of consideration at decision making committees.	The possibility of establishing further joint committees such as Cabinet and Overview and Scrutiny to be considered at an appropriate stage
PR022	Programme Board	Loss or absence of key officers during key activities of work in the programme such as Service Integrations	Implementation of service integrations could be hampered or delayed , impacting on the schedule.	3	4	12	Programme board to decide and implement interim measures to address these promptly	As a contingency, other service integrations may be brought forward.

Ref	Risk Owner	Risk Description	Potential Consequences	Risk Rating			Mitigation	
				Likelihood	Impact	Overall Risk Rating	Existing Controls	Proposed Actions/Comment
PR023	Programme Board	Large proportion of officers leave during the transformation process, and before efficiencies are realised.	The retained workforce could be insufficient to deliver services and implement further transformation	2	3	6	Joint organisational change policy, recruitment and redepolyment procedures agreed and in place from April 2021. Ensure service integration is staggered so that there is sufficient staff to establish new processes and support the new organisation to manage the loss of any knowledge and experience. Implement a robust change management process with service areas as they integrate and then look to optimise over time..	Once new processes are established, consider further efficiencies and enhancement opprtunities.

Agenda Item 8

Finance & Audit Scrutiny Committee
3 November 2021

Title: Work Programme, Forward Plan & Comments from Cabinet
Lead Officer: Graham Leach
(T. 01926 456114 or E. committee@warwickdc.gov.uk)
Portfolio Holder: Not applicable
Public report
Wards of the District directly affected: Not applicable
Accessibility checked: Yes

Summary

This report informs Members of Finance & Audit Scrutiny Committee of its work programme for 2021/2022 Municipal Year (Appendix 1) and of the current Forward Plan.

Recommendations

(1) That the Committee considers the work programme attached as Appendix 1 to the report and make any changes as required;

(2) That the Committee identifies any Cabinet items on the Forward Plan which it wishes to have an input before the Cabinet makes its decision; and

(3) That the Committee considers its workload for the coming months, specifically how it can accommodate the work within their scheduled meetings.

1 Background/Information

1.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.

1.2 The pre-decision scrutiny of Cabinet decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Cabinet decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.

1.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions. A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.

1.4 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions. There may also be policies identified on the

Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.

1.5 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.

1.6 At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Cabinet items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Cabinet, on the comments the Committee made on the Cabinet agenda in the previous cycle.

1.7 The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Cabinet decisions to be taken, if members so wish.

1.8 At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Cabinet items, where notice has been given by 9am on morning after Group meetings. The Committee will also receive a report detailing the response from the Cabinet, on the comments the Committee made on the Cabinet agenda in the previous cycle.

1.9 If the Committee made a comment on a Cabinet report, a response will be provided to the Committee at its next meeting (Appendix 2). In reviewing these responses, the Committee can identify any issues for which it would like a progress report. A future report, for example, on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme

2 Conclusion/Reasons for the Recommendation

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

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

2.3 If the Committee has an interest in a future decision to be made by the Cabinet, or policy to be implemented, it is within the Committee’s remit to feed into the process.

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

Finance and Audit Scrutiny Committee
WORK PROGRAMME

8 December 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Q2 Budget Report	Scrutiny	See Cabinet Agenda	Andrew Rollins and Councillor Hales
National Fraud Initiative Update	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales

9 February 2022

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Appointment of External Auditor	Audit	Written report followed by Q&A	Mike Snow and Councillor Hales
RIPA	Scrutiny	See Cabinet Agenda	Richard Barr and Councillor Hales

9 March 2022

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
IA Quarter 3 Progress Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales

AGS Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
IA Strategic Plan (2022/22 3to 2024/25 plan)	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
External Review of Internal Audit Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales

13 April 2022

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

Response from the meeting of the Cabinet on the F&A Committee's Comments

6 Q1 Budget Report

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

Response from Cabinet:

The recommendations in the report were approved.

9 Royal Leamington Spa Town Centre Transformation

The Finance & Audit Scrutiny Committee supported the proposals. Members expressed the view however that the Independent Chair of the Board should not also chair the Advisory Board given that each had different roles in the envisaged governance arrangements. The selection of the Chair and the members of the Board would be crucial to the success of the undertaking.

The Committee also welcomed the idea that the governance could evolve once the Independent Chair was appointed, and the work got underway and was therefore not set in stone. Members wished to also express the view that the groups represented on the Advisory Board should capture the breadth of expertise in Royal Leamington Spa, economic or otherwise and they therefore welcomed the fact that the groups listed were at this point examples and not exclusive.

Response from Cabinet:

The recommendations in the report were approved.

13 Low Carbon Enabling Development

The Finance & Audit Scrutiny Committee supported the recommendations in the report. In so doing, Members raised concerns about the need to invest appropriately in executive capacity to deliver such big projects, given that at least initially it was proposed that the project would be taken forward by the Programme Director for Climate Change.

Response from Cabinet:

The recommendations in the report were approved.