

Draft

STATEMENT OF ACCOUNTS 2017/18

and ANNUAL GOVERNANCE STATEMENT



Content

Narrative Report	4
Statement of Accounts:	
Statement of Responsibilities	30
Comprehensive Income and Expenditure Statement	31
Movement in Reserves Statement	32
Balance Sheet	33
Cash Flow Statement	34
Notes to the Accounts	35
Housing Revenue Account Income and Expenditure Statement	92
Housing Revenue Account Balance Statement	93
Notes to the Housing Revenue Account	94
Collection Fund	97
Notes to the Collection Fund	98
Glossary	99
Independent Auditor's Report to the Members of Warwick District Council	104
Annual Governance Statement:	
Annual Governance Statement	107

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

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

Message from the Head of Finance

Mike Snow



As the financial statements show, the financial standing of the Council continues to be robust. We have established effective 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 (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 2017/18.
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Be assured that the financial position of the Council is sound and secure.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. In accordance with the Auditors' 2016/17 recommendation, the content has been reviewed and the "de-cluttering" exercise has continued to seek to make the accounts more understandable.

The Narrative Report provides information about Warwick District - its main objectives and strategies, the principal risks that it faces as well as a demonstration of how the Council has used its available resources to achieve desired outcomes from both a financial and non-financial perspective. It also provides a summary of the financial position at 31 March 2018.

Legislation requires that a local authority's draft accounts should be completed by 31 May following the year end, and 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.

Unfortunately the Council failed to meet the statutory deadline for the Audit approval of its financial statements due to several contributing factors. Plans are in place to ensure the deadline is achieved in 2018/19.

Our District and its Demographics

Warwick District Council is one of five district / borough councils within the shire county of Warwickshire. It lies in the south of Warwickshire and covers approximately 28,288 hectares, and is home to around 58,700 households (137,600 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 in the 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 strategic 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 junctions outside of the District near Rugby, providing links to the north and east. There are rail services to the rest of the West Midlands and London and the Government's development of the high speed rail line "HS2" will run directly through the District.

The District boasts a rich cultural heritage, with two of the most popular tourist attractions being

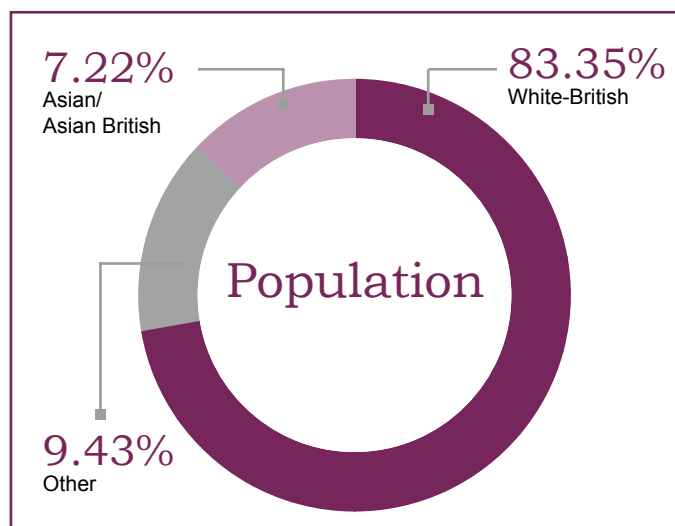
Warwick Castle and Kenilworth Castle. The Royal Pump Rooms in Royal Leamington Spa is a cultural and tourist attraction and there are several museums in Warwick. The Royal Spa Centre runs a programme of theatre, drama, comedy, film and community events in its 794-seat main house and 160-seat studio theatre.

The District has the largest population in the county and the population density of 4.9 people per 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 the rest of England and Wales and the West Midlands and second only to Rugby in the county.

The District has the highest proportion of non "White-British" people in the county at 16.6% but this is still lower than the national and regional average.

The District is among the top 10% in the country for the highest proportions of full time students.

Royal Leamington Spa was recently listed as the second best place to live in the Midlands (Sunday Times 2017).



Our Local Economy and its Social Indicators

The local economy is diverse although three sectors account for over 60% of employment: “public administration, education and health”; “wholesale and retail, including motor trades” and “financial and other business services”.

Throughout the period from 2004 to present, the rate of unemployment has been considerably lower than the national and regional average, while average earnings for employees living in the District were higher at £32,582 in 2015.

The level of people owning a vehicle in the District is relatively high at 81.5%: with 69% of people travelling to work by car; higher than the regional and national average but the lowest percentage in Warwickshire. Over 14% of people travel to work on foot or bicycle, the highest in Warwickshire and well above the national and regional figures.

The population of the District is relatively healthy with 84.5% of the population being in good or very good health, the highest in the county and better than the national and regional averages.

The Departments of Health profile for Warwick identified that in 2015 local health priorities were addressing alcohol misuse, smoking in pregnancy and tackling obesity.

According to government figures the District is ranked 267 out of 326 local authority areas in England for deprivation, where 1st would be the most deprived. In creating this ranking relatively small areas are also considered and one such area in our district, Lillington East, was ranked in the 10% most deprived areas of England.

travel to work

69%



good or very good health

84.5%



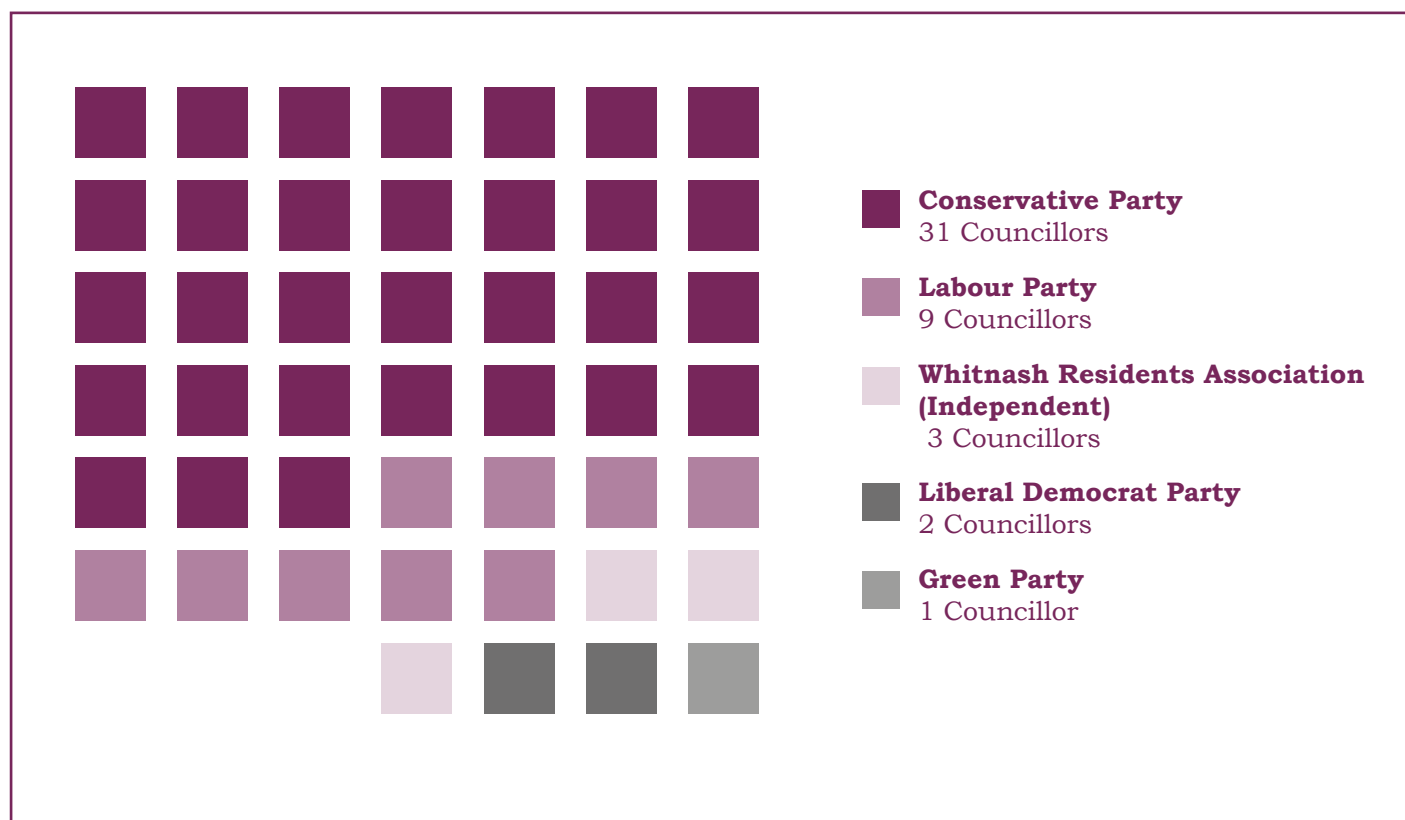
Warwick District Council

Key Information

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

Political Structure in the 2017/18 Municipal Year

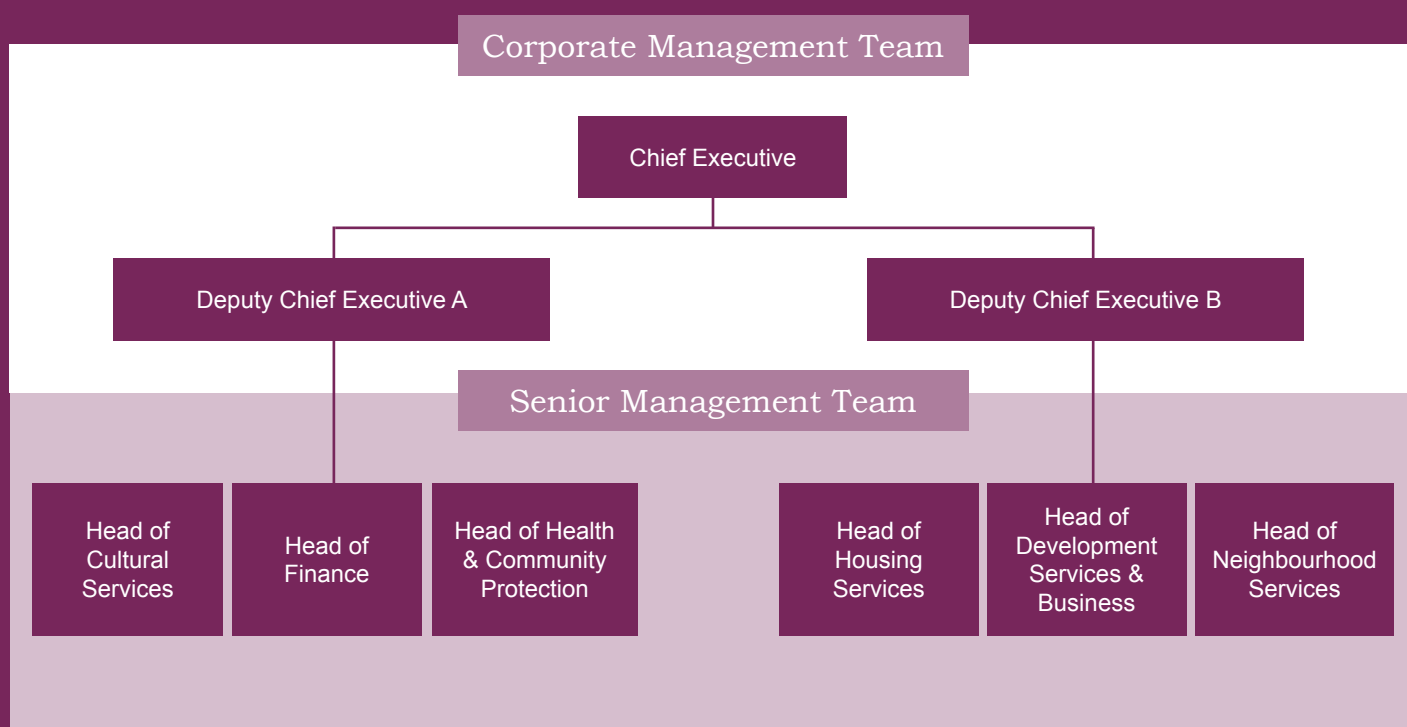
Warwick District has 22 wards and the Council consists of 46 Councillors. Following the local election on 7 May 2015 the political make-up of the Council was as follows:



The Council has adopted the "Leader and Executive model" as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Executive has responsibility for the allocation of Portfolios and the delegation of Executive Functions. Executive members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Executive decisions for 2017/18, including the setting of a balanced budget for 2018/19, has been undertaken by either the Finance and Audit Scrutiny Committee or the Overview and Scrutiny Committee.

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 2017/18 the Corporate Management Team comprised of the Chief Executive and two Deputy Chief Executives. Deputy Chief Executive A also performs the duties of the Monitoring Officer and Legal Client Manager.

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

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

Councillors in:

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

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

Council Employees

The whole-time equivalent number of staff employed by the Council in April 2017 was 450. This reduced over the year by 27 to 423 at the end of March 2018 following 6 Retirements, 14 Redundancies following service restructures and 7 end-of-contracts and other changes.

The Council is committed to training and development, encourages a healthy work-life balance for all staff and has achieved the National Award for England's Health and Wellbeing Charter as well as Investors in People accreditation.

Our Vision

The Council's Vision is to make Warwick District "a Great Place to Live, Work and Visit" by building sustainable, safe, stronger and healthier communities. The vision is underpinned by the Fit for the Future Strategy which sets out the Council's internal and external aims against three key strands. This is summarised in the table below.

Visit our website for more information on the updated Fit For Future Strategy (2017-2029) and the 2017/18 service area plans.

1

People

To make Warwick District a great place to live that offers improved health for all, ensures all our residents housing needs are met and to provide impressive cultural and sports activities and cohesive, active communities. Ensure our staff have the right skills and knowledge to do their jobs well and to be supported through training and development.



2

Services

To deliver clean, green and safe services, to our local residents. And by listening to their feedback, we will continuously review and measure the way we do things, making improvements along the way.

Money

To create a dynamic and diverse local economy with vibrant town centres. To balance the budget, operate efficiently and to make our assets work for us. It is important that our staff review the way we do things, find efficiencies, cost savings and generate income to help us to work within our budgets.

3

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. This can be represented diagrammatically as follows



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.



Warwick District: A great place to live, work and visit

Resource Strategies

Our Fit for the Future Strategy is supported by three resource sub strategies (ICT, People and Finance) which set out how the council plans to utilise its resources in order to achieve its objectives:

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

People Strategy

The People Strategy 2016/2020 sets out the Council's approach to resourcing, learning and development, and cultural change to ensure that its workforce is able to support the Fit for the Future Strategy, as it is our staff that deliver the Council's vision to make Warwick District a great place to live, work and visit.

Visit our website for more information on these strategies.

Medium Term Financial Strategy for 2017/18 to 2021/22

The Medium Term Financial Strategy (MTFS) was approved by Council on 22 February 2017. This document sets out the financial framework that is 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.

The Council accepted the Government's offer to "fix" the subsequent three year grant figures included in the 2016/17 grant settlement. This has provided a greater level of certainty around future funding levels and has enabled a more comprehensive assessment of the Council's future financial position. Revenue expenditure reductions of over £5m were made during the period 2009/10 to 2017/18, and a further £1.8m of savings/increased income have been built into the revenue budget forecasts for 2018/19 to 2021/22. Future changes that it is anticipated will impact on the Council's finances are:

- Reduction in core government grant funding to zero in 2019/20
- Uncertainty around proposed changes to the proportion of Business Rate income retained by local authorities
- Economic changes arising from Brexit including associated amendments to legislation
- Efficient procurement to deliver quality services at minimum cost
- Roll out of Universal Credit in the District from October 2018
- Population growth increasing demand for services provided
- Expenditure pressures relating to pay awards, inflation, and capital programme financing costs.

In summary, it is clear that the Fit for Future change programme will have to continue for the foreseeable future, so that the Council's resources are managed appropriately to balance the budget, and deliver services in innovative ways, that continue to meet our customer's needs.

Annual Service Area Plans

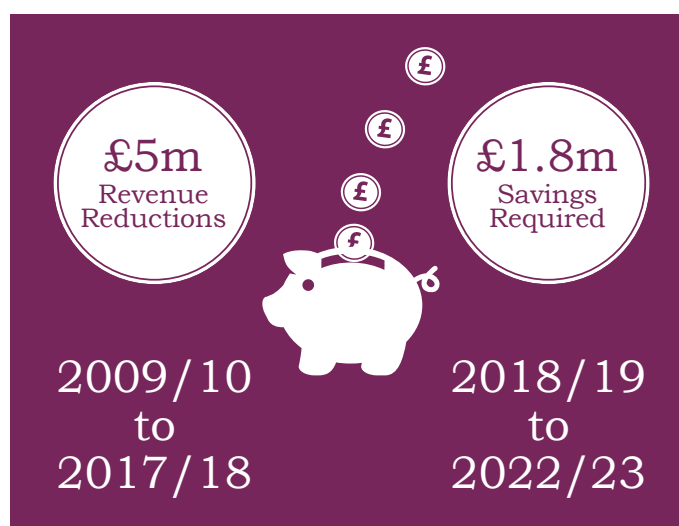


The Council has seven Service Areas – Chief Executive's Office, Cultural Services, Development Services, Finance, Health and Community Protection, Housing Services and Neighbourhood Services. Each service area produces, in consultation with Portfolio Holders and relevant stakeholders, Annual Service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

Service Area Plans represent the programme of work for the Council for each financial year.

Visit our website for further information on the individual 2017/18 service plans.

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



Our Services



Budget Setting Process 2017/18

The 2017/18 revenue budget process was influenced and framed by the continued need to make reductions in expenditure whilst progressing the Council's priorities.

In November 2016 the Executive recommended that the Council approves the 2017/18 detailed budget reports for both the General Fund and Housing Revenue Account.

By February 2017 the Council had received the 2017/18 Revenue Support Grant Settlement, updated business rate retention projections for 2017/18, the New Homes Bonus allocation for 2017/18 and an updated council rent policy. Further changes in circumstances that had been identified were also taken into account. At its meeting on 22nd February 2017, the Council approved the 2017/18 net General Fund budget of £8.268m, the 2017/18 Housing Revenue Account budget which planned to transfer a surplus of £4.577m to the HRA Capital Investment Reserve, and the Medium Term Financial Strategy for the period 2017/18 to 2021/22.

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

Revenue and capital budget review information is reported monthly to the Senior Management Team and quarterly to Executive.

How is your money spent?

During 2017/18, the Council spent £19.68m on the provision of General Fund services in the District:



25%	Culture £4.98m
9%	Development Services & Business £1.68m
12%	Finance £2.36m
13%	Health & Community Protection £2.56m
6%	General Fund Housing and Property Services £1.23m
28%	Neighbourhood Services £5.43m
7%	Strategic Leadership £1.44m

Financial Performance

2017/18

Revenue Outturn Position – General Fund Services

The Council's 2017/18 revenue outturn position in respect of General Fund Services is shown in the table below. In overall terms, the Council achieved a surplus of £914K for the financial year when comparing budgeted (planned) expenditure with actual expenditure. The surplus for the year has been allocated to reserves.

	Original Budget £000	Actual £000	Variation £000
Net Revenue Expenditure:			
Culture	3,205	4,979	1,774
Development Services & Business	1,578	1,681	103
Finance	2,461	2,359	(102)
Health & Community Protection	2,567	2,561	(6)
Housing and Property Services	2,186	1,233	(953)
Neighbourhood Services	4,467	5,426	959
Strategic Leadership	1,452	1,443	(9)
Net Service Expenditure	17,915	19,682	1,767
Less Financing Adjustments	(3,056)	(5,249)	(2,193)
Total Net Expenditure	14,85	14,433	(425)
Financed By:			
Council Tax Payers	(8,268)	(8,268)	0
Revenue Support Grant	(794)	(794)	0
Retained Business Rates	(3,829)	(4,137)	(308)
New Homes Bonus Grant	(1,938)	(1,938)	0
New Homes Bonus Returned Funding	(10)	(8)	2
Transition Grant	(40)	(48)	(8)
Other Grants	0	(175)	(175)
Collection Fund Deficit	20	20	0
Total Financing	(14,859)	(15,347)	(488)
NET UNDERSPEND FOR YEAR	0	(914)	(914)

Revenue Outturn Position - Housing Revenue Account

The Council's 2017/18 revenue outturn position in respect of its Housing Revenue Account (HRA) is shown in the table opposite. The original budget set at the Council meeting on 22 February 2017 intended to transfer an operating surplus of £4.577m to the HRA Capital Investment Reserve. Alongside agreeing the HRA Budget, the rents were agreed for tenants. Existing tenants received a 1% reduction in their rents in line with Government requirements. The rents for new tenancies continue to be set in line with target social rents, and

Warwick affordable rent for Sayer Court. The original budget set out how Council planned to

allocate its funding during the year in order to deliver its landlord services to its tenants within Warwick District. As the year progressed various amendments were made to work programmes.

In overall terms, the HRA achieved a surplus of £5.642m for the financial year, an increase of £1.066m when comparing budgeted (planned) expenditure with actual outturn expenditure.

Within the Net Service Expenditure there are a number of notional charges that are reversed out in the Financing Adjustments. The two most notable items are:

Capital charges – re-profiling of the capital programme, depreciation and impairment charges has resulted in increased capital charges of £0.5m.

£0.3m of various revenue programmes not completed in 2017/18 has been carried forward to 2018/19.

Excluding the above notional charges there is a net underspend of £0.5m for the year. The two most notable items are:

- Increased income from Planning fees and charges £0.4m.
- Reductions in staffing costs due to staff turnover, etc. £0.1m.



	Original Budget £000	Actual £000	Variation £000
Expenditure:			
Premises	6,004	5,731	(273)
Supplies and Services	399	338	(61)
Third Party Payments	0	9	9
Supervision and Management	5,043	4,546	(497)
Capital Charges	3,466	6,359	2,893
Total Expenditure	14,912	16,982	2,070
Income			
Rents	(26,287)	(26,386)	(99)
Fees and Charges	(417)	(495)	(78)
Other Grants and Contributions	(38)	(38)	0
Other Income	0	(6)	(6)
Total Income	(26,742)	(26,925)	(183)
Net Income From HRA Services	(11,829)	(9,942)	1,887
Adjustments and Appropriations			
External Interest paid	4,766	4,713	(52)
Interest on balances	(253)	(171)	82
Capital Charges Adjustment	2,788	0	(2,788)
Revenue Contribution to Capital Outlay	120	90	(30)
Revenue to / (from) Reserves	(92)	(228)	(136)
Other adjustments	(101)	(128)	(28)
Increase in HRA Balance	25	25	0
Transfer to HRA Capital Investment Reserve	4,577	5,642	1,065

The main variances are:

- Repairs and Maintenance costs £341k lower than forecast
- Lower than forecast level of bad debts - delay in introduction of Universal Credit
- £497k reduction in staffing costs due to Housing Related Support Service Transformation & Staff Vacancies
- £282K increase in Depreciation Charge due to Componentisation Depreciation policy
- £99k increased rental income due to lower number of RTB sales in year
- £78k increased service charges recovered from tenants
- £5.622m Surplus allocated to reserves to fund future service provision

Capital Programme

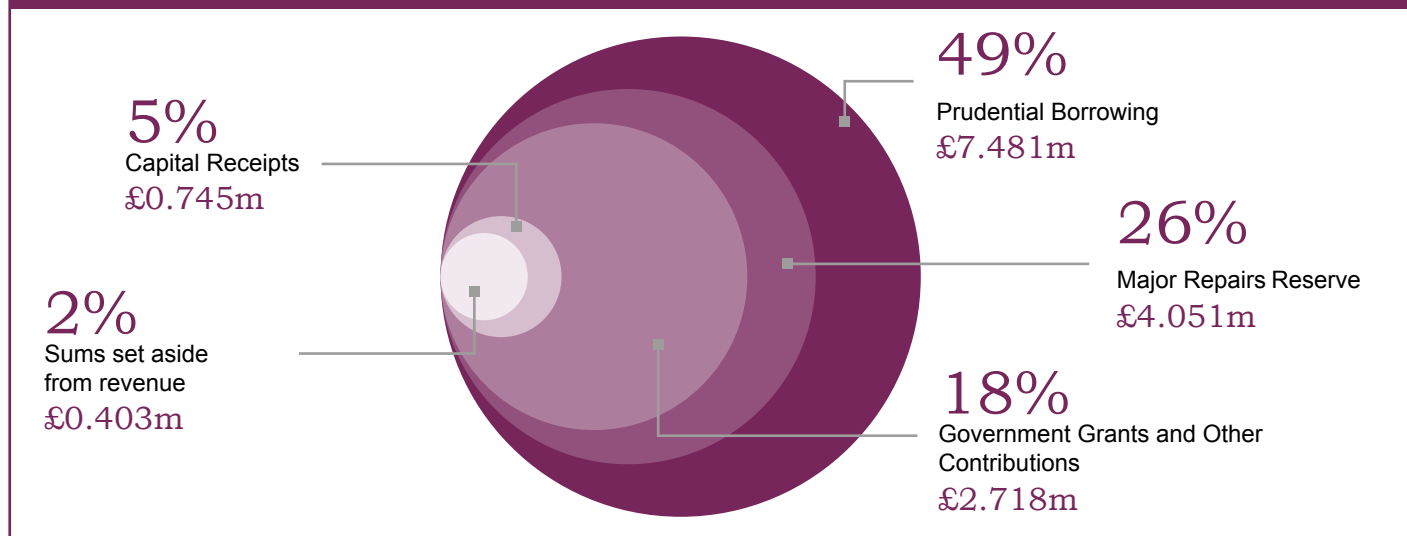
2017/18 to 2020/21

The Capital Programme was approved at the Council meeting of 22 February 2017. The Programme is set over a four year period from 2017/18 to 2020/21 and the original planned spend for 2017/18 was £18.9m, mostly funded from internal reserves.

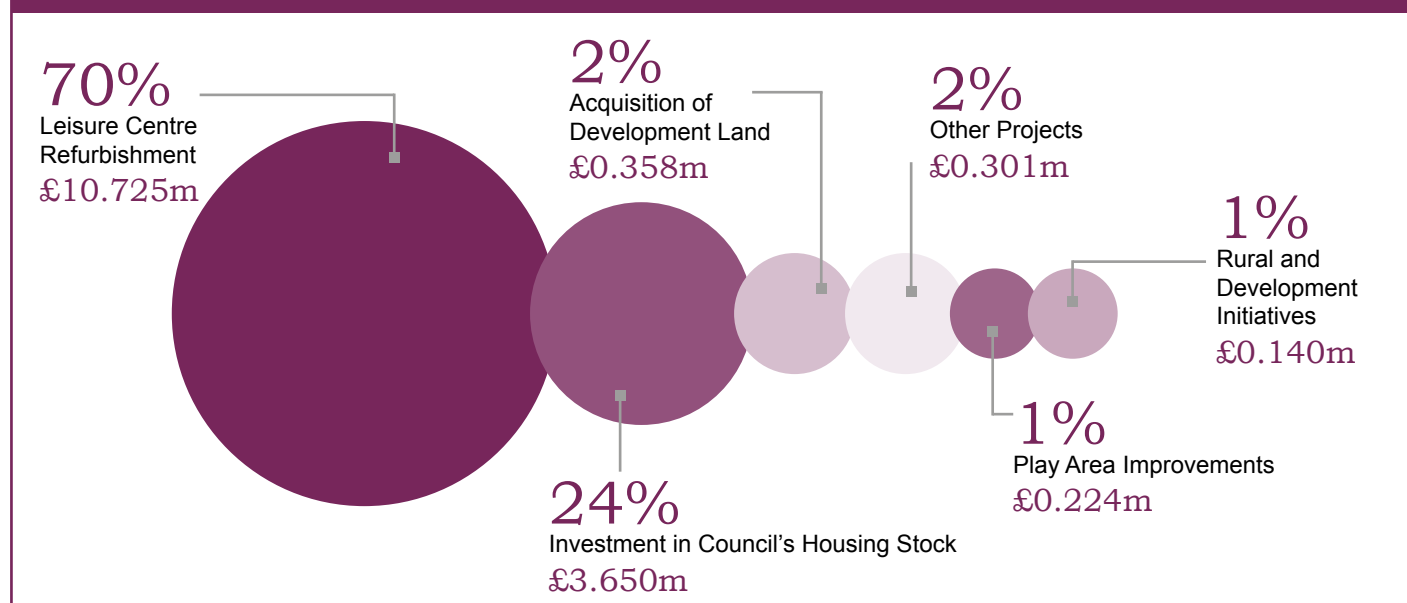
As 2017/18 progressed, initial plans were revised to incorporate expenditure re-profiled from the previous year as information became available. The revised capital budget for 2017/18 was £26.4m.

The actual Capital Programme expenditure in 2017/18 totaled £15.398m consisting of £3.717m Housing Investment Programme and £11.681m spent on Other Services. The below charts detail this expenditure and accompanying financing:

Capital Financing 2017/18 £15.398m



Capital Expenditure 2017/18 £15.398m



The table below summarises the approved resources available for the 2017/18 Capital Programme and the indicative programme to 2020/21. This level of resources ensures that the overall planned spending and funding are in balance.

	Original Budget 2017/18 £000	Latest Budget 2017/18 £000	Proposed Expend. 2018/19 £000	Proposed Expend. 2019/20 £000	Proposed Expend. 2020/21 £000
Capital Receipts	1,335	2,801	366	194	243
External Borrowing	0	0	10,216	0	0
Internal Borrowing	8,996	12,414	(9,155)	(137)	(513)
Grants and Other Contributions	2,626	3,162	1,889	937	1,263
Revenue Contributions	5,899	8,010	8,142	4,910	4,851
Total Capital Programme Funding	18,856	26,387	11,458	5,904	5,844

Capital Expenditure 2017/18

The Council spent £15.398m on its capital programme in 2017/18 compared with an updated forecast spend of £26.387m. The capital programme was financed through a number of sources including capital receipts, external grants and contributions, and revenue contributions. The capital expenditure incurred during the year and financing of this expenditure are shown in the tables below:

Housing Investment Programme (HIP)	Latest Budget £000	Actual £000	Variation £000
HRA Related HIP			
New Build/Reprovision of Housing	202	(517)	(719)
Improvements/Renewals	6,542	4,167	(2,375)
Total HRA Related HIP	6,744	3,650	(3,094)
GF Related HIP			
Private Sector Housing	844	67	(777)
Total GF Related HIP	844	67	(777)
Total HIP Expenditure	7,587	3,717	(3,870)
Financed By:			
Capital Receipts	(43)	0	43
Capital Receipts: One for One Replacement	(248)	0	248
Planning Public Open Space Reserve	0	(25)	(25)
Major Repairs Reserve	(6,300)	(4,051)	2,248
Capital Grant	(800)	(67)	733
RCCO - Housing Revenue Account	(242)	(90)	152
Housing Capital Investment Reserve	46	517	471
Total HIP Financing	(7,587)	(3,717)	3,871

Other Services Programme	Latest Budget £000	Actual £000	Variation £000
Capital Expenditure:			
Culture	12,500	10,821	(1,679)
Development Services and Business	4,808	358	(4,451)
Finance	126	140	14
Health and Community Protection	240	58	(182)
Neighbourhood Services	850	276	(574)
Strategic Leadership	275	29	(246)
Total Other Services Expenditure	18,799	11,681	(7,118)
Finances By:			
Internal Borrowing	(12,415)	(7,481)	4,933
Capital Receipts	(2,510)	(745)	1,765
Revenue Contributions to Capital Outlay	(85)	(52)	33
Service Transformation Reserve	(264)	0	264
External Contributions	(2,362)	(2,533)	(171)
Gov. Grants & Ext. Contributions via taxation	0	(118)	(118)
Capital Investment Reserve	(140)	(446)	(306)
Equipment Renewal Reserve	(73)	(3)	70
ICT Replacement Reserve	(55)	(29)	25
Car Parks R&M Reserve	(120)	0	120
Community Projects	(189)	0	189
Public Open Space Reserve	(363)	(118)	245
Public Amenity Reserve	(225)	(156)	69
Total Other Services Financing	(18,799)	(11,681)	7,118

The variance between the adjusted forecast capital expenditure and the final out-turn for the year was a reduction of £3.45m. Some of this was savings on completed projects but the majority is work not completed in the year. This will require the re-profiling of planned expenditure into 2018/19 together with the associated financing. Therefore this does not present any financial issues for the Council.

Council Performance at a Glance 2017/18

Over
135,000
visitors to
Leamington Spa Art Gallery
and Museum




More than
90%

of planning applications
determined within statutory
timescale




£9.8m

invested to maintain and repair
HRA properties



Over 4 million waste
collections, with more than

99%

completed on the scheduled day



**Green Flag and
Green Heritage Awards**
retained for Jephson gardens.
Additional Green Flag
awarded for Oakley Woods in

2017



Over
100,000

visitors to the Royal Spa
Centre including one of the
most successful pantomime
seasons ever with
22,800 people attending.



The Council's Performance 2017/18

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



People

- The Council invested £15m in refurbishment of Newbold Comyn and St Nicholas Park leisure centres. £2m grant funding was secured from Sport England as contribution to this project.
- A new Apprenticeship Scheme was launched enabling it to offer up to 8 staff apprenticeship opportunities at any one time.
- The Council worked with Warwickshire Fire and Rescue following the Grenfell Tower fire, to complete fire safety inspections at the 7 HRA multi-storey blocks, and a further 2 six-storey blocks. Cladding fitted to 6 of the blocks has been thoroughly investigated and determined not to pose any fire safety risk. Fire alarm and detection systems have been upgraded in all blocks.
- The county-wide Home Environment Assessment and Response Team (HEART) service went live on 1 April 2017 which provides specialist support for the delivery of home adaptations and related services. This is designed to speed up and improve the quality of services offered to people who need home adaptations. For this District, at the end of September 2017 the time taken to carry out such work dropped to 117 days compared with a pre HEART countywide average of 395 days.
- In conjunction with other local authorities across the county, a successful bid to government was submitted, resulting in £865,000 of government "trailblazer" funding over three years to implement a county wide early prevention service for homelessness.



Services

- Jephson Gardens received a special innovation award presented by Keep Britain Tidy awards for Project Pumpkin - a schools planting project. 250 pupils from ten local schools took part in the project that involved planting, nurturing and harvesting 200 pumpkins in the Sensory Garden.
- The Council's recycling rate is approximately 56%, which is well ahead of the national target of 50% by 2020.
- In line with the Digital by Design agenda, a pilot project is underway to provide residents with the ability to "self-serve" in respect of their council tax account.

Money

- Over 20,000 visitors greeted the 2017 OVO Energy Women's Cycle Tour Stage 3 finish in Leamington Spa. Net visitor expenditure on that day was estimated to be over £300K.
- More than 100 local businesses received support from the Council's Enterprise team, which provides valuable support for local businesses, both those in their early stages of development and those with plans for future growth.
- A wide variety of events have taken place in the District including sporting events (such as 10k runs, Bowls National Championship), community events (fun days, carnivals, Christmas lights switch-on), arts and cultural events (Warwick Folk Festival and Art in the Park), events to celebrate and support local business (food festivals and the Smith Street Party)

Key Strategic Partnerships

PSP Warwick LLP was incorporated as a Limited Liability Partnership on 26 March 2013 as a collaborative activity between the Council and PSP Facilitating Limited. It is classified as a joint venture as the two parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require unanimous consent, and both have rights to the net assets of the entity. The primary role of the Joint Venture is to enable the Council to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the Council's operational and investment properties. Information about the Council's interests in the Joint Venture is provided in more detail within the Related Parties note on page 82.

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

Governance Framework

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

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 2017/18 Annual Governance Statement is included in the Financial Statements.



Corporate Risks

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

Key risks identified:

Risk/Issue	Level of Risk	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, reduced service levels.	Medium	Regular monitoring of the Fit for the Future strategy, identification and control of emerging risks, effective financial planning, appropriate levels of financial reserves held and used to smooth fluctuations 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 a great place to live, work and visit.



Europa Way

The Council is seeking to acquire a major development site.

This will enable the provision of a new community stadium and associated commercial enabling development on part of the site.

Leamington Football Club will relocate to the new stadium, so releasing their site for use as a gypsy and traveller site. The remainder of the Europa Way site will be purchased by the Council's housing joint venture partner Waterloo Housing, to produce new properties, of which 60% will be affordable.

Council HQ Relocation and Convent Garden Car Park

The current multi storey car park is beyond economic repair, and the redevelopment of this site enables:

- the construction of a 617 space multi storey car park with 62 electric vehicle charging points,
- the construction of new office premises for the Council's Headquarters (relocation from the existing offices will generate annual savings in running costs of around £300k),
- 41 residential apartments,
- the sale of the Riverside House site for housing development, and
- the release of the Town Hall for alternative use.

Leisure Centres

Refurbishment works to significantly update and increase the facilities at both St Nicholas Park and Newbold Comyn.

In addition, working with the new operators for the centres, the Council is able to make substantial revenue savings that more than exceed the cost of the investment.

This investment programme reflects the increasing demand for such sports facilities as the population of the district continues to grow. The Council is now considering the investment required in the leisure centre facilities in Kenilworth to achieve similar objectives.

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 Comprehensive Income and Expenditure Statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax, and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are made in the Movement in Reserves Statement.

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable reserves.

Usable Reserves include the Capital Grants Unapplied Account which are grants received but not yet utilised; Useable Capital Receipts Reserve which holds the balance of receipts from disposals of assets; Major Repairs Reserve holds the balance of funding to support capital spending in the Housing Revenue Account. The 'Surplus or (Deficit) on the 'provision of services' line shows the true economic cost of providing the Council's services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The Balance Sheet shows the value of the Council's assets and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories, Usable and Unusable reserves.

Unusable reserves are not available to support services and are, in the main, used to hold unrealised gains and losses where the actual gain or loss will only become available once another event has occurred. For example, the Revaluation Reserve for Non-Current Assets will only become available if the asset is sold and the full value of the asset realised.

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



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.

Statement of Accountancy 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.



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.

Core Statements and Significant Transactions 2017/18

The notes include more details to support the information contained in the core Financial Statements including significant transactions.

Receipt of Further Information

If you would like to receive further information about these accounts, please do not hesitate to contact me.

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
P.O. Box 2180
Riverside House
Milverton Hill
Royal Leamington Spa
Warwickshire
CV32 5QW

STATEMENT OF RESPONSIBILITIES

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 C.I.P.F.A. / L.A.S.A.A.C. Code of Practice on Local Authority Accounting in the United Kingdom (the Code):

In preparing this Statement of Accounts, the 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 2018 and its income and expenditure in the year ended 31 March 2018.

27 November 2018

Mike Snow C.P.F.A.
Head of Finance
Warwick District Council
P.O. Box 2180
Riverside House
Milverton Hill
Royal Leamington Spa
Warwickshire
CV32 5QW

Approval of Statement of Accounts

Statement of Accounts approved at the Warwick District Council Finance and Audit Scrutiny Committee meeting held on 27 November 2018.

Chair of the Meeting
Councillor Quinney

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 (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.

2016/17			Portfolio:	Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
7,438	(3,421)	4,017	Cultural Services		6,698	(1,719)	4,979
5,406	(2,764)	2,642	Development Services & Business		4,809	(3,128)	1,681
32,114	(30,089)	2,025	Finance		31,764	(29,405)	2,359
3,307	(616)	2,691	Health & Community Protection		3,229	(668)	2,561
2,911	(1,203)	1,708	Housing & Property Services		2,811	(1,448)	1,363
(21,978)	(27,838)	(49,816)	Housing Revenue Account		17,878	(27,821)	(9,943)
9,514	(6,077)	3,437	Neighbourhood Services		11,174	(5,748)	5,426
2,004	(612)	1,392	Strategic Leadership		2,193	(750)	1,443
40,716	(72,620)	(31,904)	Cost of Services - continuing operations		80,556	(70,687)	9,869
2,276	(1,762)	514	Other Operating Income and Expenditure	10	2,374	(1,169)	1,205
6,456	(1,152)	5,304	Financing and Investment Income and Expenditure	11	6,536	(930)	5,606
-	(17,867)	(17,867)	Taxation and Non-Specific Grant Income and Expenditure	12	-	(20,820)	(20,820)
		(43,953)	(Surplus) or Deficit on Provision of Services				(4,140)
			Other Comprehensive Income and Expenditure:				
		(21,683)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment assets	22			(27,610)
			Impairment Losses on Non Current - Assets Charged to the Revaluation Reserve	22			1,751
		(15)	Surplus or deficit on revaluation of available for sale financial assets	22			173
		2,060	Remeasurement of the net defined benefit liability / (asset)	22			(2,918)
		(19,638)	Other Comprehensive Income and Expenditure				(28,604)
		(63,591)	Total Comprehensive Income and Expenditure				(32,744)

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 on 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.

2016/17	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 2016	20,056	22,235	6,956	4,611	982	54,840	216,520	271,360
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(2,969)	46,922	-	-	-	43,953	19,638	63,591
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	288	(44,549)	(270)	2,171	(481)	(42,841)	42,841	-
Increase / (Decrease) in 2016/17	(2,681)	2,373	(270)	2,171	(481)	1,112	62,479	63,591
Balance at 31 March 2017 carried forward	17,375	24,608	6,686	6,782	501	55,952	278,999	334,951

2017/18	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 2017	17,375	24,608	6,686	6,782	501	55,952	278,999	334,951
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(2,276)	6,416	-	-	-	4,140	28,604	32,744
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 8)	3,498	(460)	1,946	2,460	(67)	7,377	(7,377)	-
Increase / (Decrease) in 2017/18	1,222	5,956	1,946	2,460	(67)	11,517	21,227	32,744
Balance at 31 March 2018 carried forward	18,597	30,564	8,632	9,242	434	67,469	300,226	367,695

BALANCE SHEET

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 provides 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 2017		Note	31 March 2018
£'000			£'000
	Operational Assets:		
351,171	Council Dwellings		370,648
6,840	HRA Land and Buildings		6,915
62,660	Other Land and Buildings		71,905
2,117	Vehicles, Plant, Furniture and Equipment		2,321
2,091	Infrastructure Assets		2,030
6,721	Community Assets		6,647
	Non-Operational Assets		
312	Surplus Assets		299
3,107	Assets under Construction		2,328
435,019	Property, Plant and Equipment	13	463,093
8,271	Heritage Assets	14	8,270
11,425	Investment Properties	15	11,000
46	Intangible Assets		44
-	Long Term Investments	16	5,895
866	Long Term Debtors	16	741
455,627	LONG TERM ASSETS		489,043
35,695	Short Term Investments	16	34,697
122	Assets Held for Sale	17	122
16	Inventories		11
4,286	Short Term Debtors	18	6,195
35,758	Cash and Cash Equivalents	19	40,368
75,877	CURRENT ASSETS		81,393
(16,140)	Short Term Creditors	20	(19,832)
(2,819)	Provision Liabilities payable in less than 1 year	21	(1,888)
(18,959)	CURRENT LIABILITIES		(21,720)
-	Long Term Creditors		(153)
(1,482)	Provision Liabilities payable in more than 1 year	21	(2,271)
(136,209)	Long Term Borrowing	16	(136,157)
(79)	Other Long Term Liabilities	16	(63)
(1,886)	Capital External Grants/Contributions in Advance	29	(4,254)
(37,938)	Net Pensions Liability	34	(38,123)
(177,594)	LONG TERM LIABILITIES		(181,021)
334,951	NET ASSETS		367,695
55,952	Usable Reserves	29	67,469
278,999	Unusable Reserves	22	300,226
334,951	TOTAL RESERVES		367,695

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.

2016/17		Notes	2017/18
£'000			£'000
(43,953)	Net (Surplus) or deficit on the provision of services		(4,140)
20,158	Adjust net (surplus) or deficit on the provision of services for non-cash movements	23	(17,140)
5,703	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23	6,432
(18,092)	Net cash flows from Operating Activities		(14,848)
10,486	Investing Activities	24	10,761
1,311	Financing Activities	25	(523)
(6,295)	Net (increase) or decrease in cash and cash equivalents		(4,610)
(29,463)	Cash and cash equivalents at the beginning of the reporting period		(35,758)
(35,758)	Cash and cash equivalents at the end of the reporting period		(40,368)

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 2017/18 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of Income and Expenditure

Income is recorded when the debt has been established rather than when the money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made. Where income and expenditure have been recognised but cash has not been received / paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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. It is not expected that these exceptions are material to the overall accounting position.

Cash and Cash Equivalents

Cash is represented by cash at bank, 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.

NOTES TO THE ACCOUNTS

Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

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 as the earlier of when the Council can no longer withdraw the offer or when it recognises the cost of a restructuring.

Local Government Pension Scheme

As part of the terms and conditions of employment the Council offers retirement benefits. Although these benefits will not actually be payable until the employee retires the Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement at the time that employees earn their future entitlement.

The Council's employees are members of the Local Government Pension Scheme which provides them with pensions and other benefits related to their pay and length of service. Details of this scheme, the accounting policies and impact on the financial statements are shown in note 35.

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 November.

Events taking place after the date of final authorisation for issue in November 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, maximising the use of relevant known data and thereby minimising the use of estimates and reducing subjective or uncertain valuations.

The Council assesses the level of uncertainty in its valuation techniques by assigning valued assets or liabilities into 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 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

NOTES TO THE ACCOUNTS

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 into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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 interest rate for the instrument. For all of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any loans made by the Council at less than market rates are called “soft loans”. 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.

Where assets are impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for the receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

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

Available-for-Sale Assets

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

credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Assets are maintained in the Balance Sheet at fair value. Values 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,
- Equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, 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. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

Government Grants and Contributions

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

Where a grant or contribution has conditions outstanding at the Balance Sheet date the grant is held either as a receipt in advance, if not fulfilling the conditions would result in the return of the grant, or as an earmarked reserve. Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. Unapplied grant is posted to the Capital Grants Unapplied Reserve; applied grant is posted to the Capital Adjustment Account.

NOTES TO THE ACCOUNTS

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 on pages 42 - 43 of these statements.

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 policies set out on pages 42 - 45 of these statements.

Depreciation, Amortisation and Impairment

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

The carrying amount of an item is reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration, breakage or doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment set out on page 43 of 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 on page 45 of 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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.

NOTES TO THE ACCOUNTS

Operating Leases

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

Overheads and Support Services

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

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

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 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.

NOTES TO THE ACCOUNTS

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 asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The policy adopted is as follows:

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

Housing Revenue Account

- Council Dwelling - From 2017/18 the use of the Major Repairs Allowance allocation as a proxy for depreciation on the Council's housing stock was discontinued. Depreciation was 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 and Contingent Liabilities

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;

NOTES TO THE ACCOUNTS

- 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 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.

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

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 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces:

- a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed
- a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39

The adoption of this new standard could increase the financial risks the Council faces in holding some financial assets that have previously been classified as Available for Sale under the current IAS39 Financial Instruments. Under the existing IAS39 any changes in the valuation of these financial assets have been transferred to and held in an unusable Available for Sale reserve, with no cash impact on the Council's usable reserves and balances. However, under the new IFRS 9, depending on the asset classification, the movement in some of these assets may have to be charged to the General Fund balance. Notably this would impact on the accounting treatment of the Equity Funds that the Council has invested £6m in.

The local authority sector has been lobbying government to provide a statutory override so that these movements will not impact the Council's General Fund balance, but the outcome of this action remains uncertain. Should an over-ride not be granted the Council may be able to take a one-off election to take those losses, or any gains, to an unusable reserve instead. Alternatively if this is option is not possible, consideration will be given to using a stability/equalisation reserve from existing gains to mitigate General Fund balance volatility.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations. The core principle in IFRS 15 for local authorities is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services. The Council does not have any material revenue streams within the scope of the new standard.

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.

Other Changes

The following accounting standards will be implemented in 2018/19, but are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

NOTES TO THE ACCOUNTS

3. Critical Judgements in Applying Accounting Policies

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

- Uncertainty around future funding levels is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council has entered into joint ventures with PSP Warwick LLP and Waterloo Housing Association. An assessment has been undertaken of the relationship with these parties. There is a group relationship with PSP Warwick LLP but transactions during 2017/18 were not considered material for the Council so group accounts have not been prepared, alternatively a disclosure has been included in the Related Parties Note. There was no group relationship with Waterloo Housing Association.
- All of the Council's Investment Properties were revalued in 2017/18 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 1st April 2018 as these assets are revalued every year for HRA business plan purposes. This valuation date is treated as a proxy for 31st March in order to show the latest up to date values in the balance sheet. The Council is not aware of any event, economic or otherwise that would have materially affected the 1st April 2018 valuation such as to make it inappropriate to use as a proxy for 31st March 2018.
- The Council's contractor for the management of the Newbold Comyn golf course withdrew from the contract at the end of 2017, resulting in the closure of the golf course until further notice. Options for the future use of the Newbold Comyn are currently being considered with a final decision expected in the summer of 2019. As at 31 March 2018, the golf course land and buildings which were previously held as operational assets, have been impaired to a nil value and reclassified to Community Assets as part of the Newbold Comyn. The classification of this asset will be reviewed, once the future use is agreed.
- In early 2017/18, the Council invested £6m in two Corporate Equity Funds and at 31st March 2018, the 2 Funds were valued at £5.895m a reduction in value of £0.105m. 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 active markets and can be considered to be valued on a level 1 basis thereby giving reassurance as to the accuracy of the year end valuation of £5.895m. 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. For 2017/18, the loss of £0.105m has been taken to the Available for Sale Reserve resulting in no impact on the General Fund. However, this reserve will cease to exist in 2018/19 and there is therefore potential for any future losses (or gains) to directly impact upon the General Fund. The Council has sought to mitigate this by establishing a volatility reserve which will absorb any such impact.

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 2018 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £260k for every year that the useful lives had to be reduced.</p>
Provisions	<p>The Council has made provisions for insurance cover in respect of outstanding claims from the public and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31st March 2018 where such excesses have been negotiated when agreeing premiums.</p> <p>Following the introduction of the retention of business rates scheme new provisions have been created to provide for the potential successful appeals against rateable values.</p>	An increase over the forthcoming year of 10% in settlements would have the effect of adding £189,000 to the provisions needed.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all</p>	<p>The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis.</p> <p>The actuaries model thousands of possible outcomes in order to establish the long term estimates</p> <p>The Council will use information from the Pensions actuary to set the employer's pension contribution rates to ensure that pension liabilities are met.</p>

NOTES TO THE ACCOUNTS

	Warwickshire authorities with expert advice about the assumptions to be applied.	A sensitivity analysis upon other variables affecting the net liability is set out in Note 35 Defined Benefit Pension Schemes.
Arrears	At 31 st March 2018, the Council had a balance of arrears of Housing Rents, Council Tax and other sundry debtors of £4.65m. A review of the above suggested that an impairment of doubtful debts of 52.4% (£2.34m) 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 £2.34m to be set aside as an allowance.

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

5. 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 was authorised for issue by the Head of Finance on 27th November 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Disclosure

On the 22nd May 2018 The Council settled a legal claim with a contractor in regard to delays to the refurbishment of the Leisure Centres. On the 5th March 2018 an estimate of the settlement figure was attained after the claim was assessed by a Consultancy Company acting on behalf of the Council. This estimate was accrued and was added to the accounts to reflect the anticipated cost of the settlement.

The actual settlement amount agreed was £826,000 which was £176,000 greater than the estimated accrual.

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.

	2017/18				
	As Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	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	£'000	£'000
Cultural Services	4,979	(2,127)	2,852	2,127	4,979
Development Services & Business	1,681	(88)	1,593	88	1,681
Finance	2,359	(393)	1,966	393	2,359
Health & Community Protection	2,561	(348)	2,213	348	2,561
Housing & Property Services	1,233	(352)	881	482	1,363
Housing Revenue Account	(9,943)	(556)	(10,499)	556	(9,943)
Neighbourhood Services	5,426	(1,568)	3,858	1,568	5,426
Strategic Leadership	1,443	(406)	1,037	406	1,443
Net Costs of Services	9,739	(5,838)	3,901	5,968	9,869
Other Income and Expenditure	(13,845)	2,766	(11,079)	(2,930)	(14,009)
(Surplus) or Deficit	(4,106)	(3,072)	(7,178)	3,038	(4,140)
Opening General Fund and HRA Balance			(41,983)		
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance			(7,178)		
Closing General Fund and HRA Balance at 31 March *			(49,161)		

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

NOTES TO THE ACCOUNTS

	2016/17				
	As Reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	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	£'000	£'000
Cultural Services	4,017	(1,166)	2,851	1,166	4,017
Development Services & Business	2,642	(956)	1,686	956	2,642
Finance	2,025	226	2,251	(226)	2,025
Health & Community Protection	2,691	(615)	2,076	615	2,691
Housing & Property Services	1,526	(828)	698	1,010	1,708
Housing Revenue Account	(49,816)	42,888	(6,928)	(42,888)	(49,816)
Neighbourhood Services	3,437	(366)	3,071	366	3,437
Strategic Leadership	1,392	68	1,460	(68)	1,392
Net Costs of Services	(32,086)	39,251	7,165	(39,069)	(31,904)
Other Income and Expenditure	(11,867)	5,010	(6,857)	(5,192)	(12,049)
(Surplus) or Deficit	(43,953)	44,261	308	(44,261)	(43,953)

Opening General Fund and HRA Balance	(42,291)
Less / Plus Surplus / (Deficit) on General Fund and HRA Balance	308
Closing General Fund and HRA Balance at 31 March *	(41,983)

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

Note to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis				
				2017/18
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Culture	(1,965)	(175)	13	(2,127)
Development Services & Business	252	(335)	(5)	(88)
Finance	(55)	(336)	(2)	(393)
Health & Community Protection	(144)	(205)	1	(348)
Housing & Property Services	(297)	(186)	131	(352)
Housing Revenue Account	(274)	(281)	(1)	(556)
Neighbourhood	(1,305)	(260)	(3)	(1,568)
Strategic Leadership	(92)	(313)	(1)	(406)
Net Cost Of Services	(3,880)	(2,091)	133	(5,838)
Other income and expenditure from the Expenditure and Funding Analysis	2,429	(1,012)	1,349	2,766
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,451)	(3,103)	1,482	(3,072)

Adjustments between Funding and Accounting Basis				
				2016/17
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Culture	(1,033)	(137)	4	(1,166)
Development Services & Business	(817)	(141)	2	(956)
Finance	(52)	281	(3)	226
Health & Community Protection	(516)	(99)	-	(615)
Housing & Property Services	(918)	(89)	(3)	(1,010)
Housing Revenue Account	42,960	(67)	(5)	42,888
Neighbourhood	(252)	(111)	(3)	(366)
Strategic Leadership	213	(146)	1	68
Net Cost Of Services	39,585	(509)	(7)	39,069
Other income and expenditure from the Expenditure and Funding Analysis	1,649	(1,202)	4,745	5,192
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	41,234	(1,711)	4,738	44,261

NOTES TO THE ACCOUNTS

Adjustments for Capital Purposes

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

Net Changes for the Pensions Adjustments

- 2 Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension-related expenditure and income:
 - **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
 - **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Differences

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

Segmental Income

Income received on a segmental basis is analysed below:

	2017/18	2016/17
Portfolio	Income from Services	Income from Services
	£000	£000
Culture	1,719	3,422
Development Services & Business	3,096	2,748
Finance	460	459
Health & Community Protection	639	616
Housing & Property Services	904	1,173
Housing Revenue Account	27,742	27,838
Neighbourhood	5,747	6,077
Strategic Leadership	401	578
Total income analysed on a segmental basis	40,708	42,911

7. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2017/18	Restated 2016/17
	£000	£000
Expenditure		
Employee benefits expenses	19,404	19,275
Other services expenses	51,867	52,324
Depreciation, amortisation and impairment	11,140	(29,190)
Interest payments	4,717	4,767
Precepts and Levies	1,413	1,306
Payments to Housing Capital Receipts Pool	961	970
Total Expenditure	89,502	49,452
Income		
Fees, charges and other service income	(40,708)	(42,911)
Gain on the disposal of assets	(1,169)	(1,762)
Interest and investment income	(418)	(536)
Income from Council Tax and Business Rates	(13,484)	(12,976)
Government grants and contributions	(37,863)	(35,220)
Total Income	(93,642)	(93,405)
Surplus or Deficit on the Provision of Services	(4,140)	(43,953)

NOTES TO THE ACCOUNTS

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 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.

NOTES TO THE ACCOUNTS

2017/18	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 Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(2,686)	(417)	-	-	-
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,385	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	3	(1)	-	-	-
■ 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)	(2,084)	(2,331)	-	-	-
Total Adjustments to the Revenue Account	(3,382)	(2,749)	-	-	-
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	17	3,635	(3,652)	-	-
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	-	-	-	(6,511)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	828	(426)	-	-	-
Total Adjustments between Revenue and Capital Resources	(116)	3,209	(2,691)	(6,511)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	745	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,051	-
Application of capital grants to finance capital expenditure	-	-	-	-	67
Total Adjustments to Capital Resources	-	-	745	4,051	67
Total Adjustments	(3,498)	460	(1,946)	(2,460)	67

NOTES TO THE ACCOUNTS

2016/17	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 Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
■ Pensions costs (transferred to (or from) the Pensions Reserve	(1,485)	(226)	-	-	-
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	4,744	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(1)	(5)	-	-	-
■ 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)	(3,275)	30,146	-	-	481
Total Adjustments to the Revenue Account	(17)	29,915	-	-	481
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	5,003	(5,003)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(969)	-	969	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	6,135	-	(6,135)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	698	3,496	-	-	-
Total Adjustments between Revenue and Capital Resources	(271)	14,634	(4,034)	(6,135)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	4,304	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	3,964	-
Total Adjustments to Capital Resources	-	-	4,304	3,964	-
Total Adjustments	(288)	44,549	270	(2,171)	481

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 2017/18:

NOTES TO THE ACCOUNTS

	Balance at	Transfers	Transfers	Balance at	Transfers	Transfers	Balance at
	1 April	Out	In	31 March	Out	In	31 March
	2016	2016/17	2016/17	2017	2017/18	2017/18	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Art Fund Reserve	67	-	4	71	-	4	75
Art Gallery Gift Reserve	57	-	-	57	-	-	57
Building Control Reserve	249	(20)	-	229	(90)	-	139
Business Rate Retention Volatility Res	3,353	(3,658)	750	445	(306)	750	889
Capital Investment Reserve	3,047	(1,532)	318	1,833	(891)	307	1,249
Car Park Displacement Reserve	-	-	-	-	-	100	100
Car Parks Repairs & Maintenance Reserve	505	(38)	323	790	(214)	156	732
Cemetery Land Purchase Reserve	-	-	3	3	-	13	16
Community Forums Reserve	119	(48)	-	71	(38)	-	33
Community Projects Reserve	-	-	-	-	(241)	868	627
Corporate Assets Reserve	1,842	(38)	575	2,379	-	-	2,379
Covent Garden Multi Storey Reserve	900	-	-	900	-	-	900
Earmarked Balances Reserve	381	(381)	288	288	(288)	799	799
Election Expenses Reserve	15	-	30	45	-	30	75
Energy Management Reserve	103	-	5	108	-	4	112
Enterprise Projects Reserve	59	-	23	82	-	27	109
Equipment Renewals Reserve	830	(48)	-	782	(54)	-	728
G M Commuted Sums Reserve	538	(97)	107	548	(63)	-	485
GF Early Retirements Reserve	103	(217)	147	33	(69)	200	164
Gym Equipment Replacement Reserve	123	(123)	-	-	-	-	-
Harbury Lane Reserve	-	-	-	-	-	84	84
Hill Close Gardens Reserve	80	(20)	-	60	(20)	-	40
Homelessness Prevention Reserve	-	-	-	-	-	267	267
ICT Replacement Reserve	865	(358)	-	507	(147)	-	360
Insurance Reserve	322	(30)	-	292	(3)	-	289
Investment Volatility Reserve	-	-	-	-	-	100	100
Leisure Options Reserve	-	(383)	2,440	2,057	(967)	400	1,490
Local Plan Delivery Reserve	153	(4)	-	149	-	-	149
Planning Investment Reserve	-	-	-	-	-	40	40
Planning Appeal Reserve	564	(244)	150	470	(142)	81	409
Public Amenity Reserve	748	(209)	-	539	(195)	-	344
Public Open Space Planning Gain Reserve	926	(251)	283	958	(298)	79	739
Rent Bond Scheme Reserve	22	-	-	22	-	-	22
Revenue Grants / Contributions Received in Advance	774	(107)	53	720	(70)	63	713
Right to Bid Reserve	20	-	-	20	-	-	20
Right to Challenge Reserve	26	-	-	26	-	-	26
Riverside House Maintenance Reserve	30	-	-	30	-	-	30
Services Transformation Reserve	1,386	(321)	158	1,223	(322)	153	1,054
Tourism Reserve	39	-	-	39	(10)	-	29
TOTAL GENERAL FUND	18,246	(8,127)	5,657	15,776	(4,428)	4,525	15,873
HRA:							
HRA Capital Investment Reserve	20,725	(3,392)	5,599	22,932	-	6,159	29,091
HRA Early Retirements Reserve	114	(20)	8	102	(95)	20	27
HRA Earmarked Reserves	-	-	164	164	(164)	11	11
HRA Rev Grants/Contribs In Advance Res	10	-	-	10	-	-	10
TOTAL HRA	20,849	(3,412)	5,771	23,208	(259)	6,190	29,139
TOTAL EARMARKED RESERVES	39,095	(11,539)	11,428	38,984	(4,687)	10,715	45,012

The purpose of the significant earmarked reserves is:

NOTES TO THE ACCOUNTS

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.

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

Services Transformation Reserve: Used to finance service improvements and to enable services to continue to be provided pending delivery of required savings and to finance "Fit For the Future" schemes so as to help the Council secure savings needed in its medium term financial strategy.

Leisure Options Reserve: Used to finance initial concession and management fee payments to contractor whilst refurbishment programme being carried out and to contribute towards debt servicing costs on borrowing taken out to finance the refurbishment programme.

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
2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
£'000	£'000	£'000		£'000	£'000	£'000
1,306	-	1,306	Parish Council Precepts	1,413	-	1,413
970	-	970	Payments to Govt. Housing Capital Receipts Pool	961	-	961
-	(1,762)	(1,762)	(Gain) or loss on the disposal of non-current assets	-	(1,169)	(1,169)
2,276	(1,762)	514	Total	2,374	(1,169)	1,205

11. Financing and Investment Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
£'000	£'000	£'000		£'000	£'000	£'000
4,767	-	4,767	Interest Payable and similar charges	4,717	-	4,717
1,203	-	1,203	Net Interest on the net defined benefit liability	1,012		1,012
-	(536)	(536)	Interest receivable and similar income	-	(418)	(418)
486	(616)	(130)	Income and expenditure in relation to investment properties and changes in their fair value	807	(512)	295
6,456	(1,152)	5,304	Total	6,536	(930)	5,606

12. Taxation and Non Specific Grant Income and Expenditure

Gross Income		Gross Income
2016/17		2017/18
£'000		£'000
(9,156)	Council Tax income	(9,736)
(3,820)	Non-domestic rates income and expenditure	(3,748)
(4,658)	Non-ringfenced Government Grants	(4,659)
(233)	Capital Grants and Contributions	(2,677)
(17,867)	Total	(20,820)

NOTES TO THE ACCOUNTS

13. Property, Plant and Equipment

Movements on Balances								
Movements in 2017/18	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 2017	351,171	70,795	8,852	2,405	7,151	622	3,107	444,103
Additions	3,422	1	652	-	(27)	-	11,094	15,142
Revaluation increases / (decreases) recognised in the Revaluation Reserve	18,447	661	-	-	-	25	-	19,133
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	42	-	-	-	-	3	-	45
Derecognition - disposals	(2,336)	(49)	-	-	-	-	-	(2,385)
Assets reclassified (to) / from Other Accounts	(98)	11,862	19	-	-	(7)	(11,873)	(97)
At 31 March 2018	370,648	83,270	9,523	2,405	7,124	643	2,328	475,941
Accumulated Depreciation and Impairment								
At 1 April 2017	-	(1,295)	(6,735)	(314)	(430)	(310)	-	(9,084)
Depreciation charge for 2017/18	(6,038)	(2,499)	(467)	(61)	(47)	(34)	-	(9,146)
Depreciation written out to the Revaluation Reserve	5,926	2,061	-	-	-	-	-	7,987
Depreciation written out to the Surplus / Deficit on the Provision of Services	112	210	-	-	-	-	-	322
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(1,262)	-	-	-	-	-	(1,262)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(1,665)	-	-	-	-	-	(1,665)
At 31 March 2018	-	(4,450)	(7,202)	(375)	(477)	(344)	-	(12,848)
Net Book Value								
31 March 2018	370,648	78,820	2,321	2,030	6,647	299	2,328	463,093
31 March 2017	351,171	69,500	2,117	2,091	6,721	312	3,107	435,019

Movements on Balances

Movements in 2016/17	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 2016	282,885	69,599	8,013	2,403	7,037	1,058	6,822	377,817
Additions	10,508	593	899	2	114	-	2,811	14,927
Revaluation increases / (decreases) recognised in the Revaluation Reserve	19,445	444	-	-	-	5	-	19,894
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	33,873	165	-	-	-	-	-	34,038
Derecognition - disposals	(2,429)	-	(60)	-	-	-	-	(2,489)
Assets reclassified (to) / from Other Accounts	6,889	(6)	-	-	-	(441)	(6,526)	(84)
At 31 March 2017	351,171	70,795	8,852	2,405	7,151	622	3,107	444,103
Accumulated Depreciation and Impairment								
At 1 April 2016	-	(754)	(6,223)	(253)	(383)	(299)	-	(7,912)
Depreciation charge for 2016/17	(2,923)	(2,385)	(510)	(61)	(47)	(28)	-	(5,954)
Depreciation written out to the Revaluation Reserve	17	1,750	-	-	-	17	-	1,784
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,906	94	-	-	-	-	-	3,000
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	(2)	-	-	-	-	(2)
At 31 March 2017	-	(1,295)	(6,735)	(314)	(430)	(310)	-	(9,084)
Net Book Value								
31 March 2017	351,171	69,500	2,117	2,091	6,721	312	3,107	435,019
31 March 2016	282,885	68,845	1,790	2,150	6,654	759	6,822	369,905

Depreciation

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

- Council houses - up to 60 years
- Other land and buildings - 5 to 80 years
- Vehicles, plant, furniture and equipment - 3 to 21 years
- Infrastructure - 40 years

NOTES TO THE ACCOUNTS

Capital Commitments and Planned Works 2018/19

As at 31st March 2018, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018/19 and future years. The major commitments are:

	£'000
General Fund:	
Leisure Refurbishments	1,115
Pump Rooms Gardens Restoration	1,000
Leamington Parking Displacement	674
Play Area Improvement Programme	501
Whitnash Community Hub	350
Newbold Comyn Arms loan	210
ICT Developments	153
St John's Flood Alleviation	100
Tach Brook Country Park	100
Playbox Theatre loan	100
Housing Investment Programme:	
Council House Improvements / Renewal	5,651
Fire Safety in High-Rise Blocks	2,350
Housing New Build / Reprovision	2,346
Private Sector Housing - Grants and Loans	843

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.

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 1st April 2015, 1st April 2016, 1st April 2017 or 31st March 2018 valuations. Housing Revenue Account property values are based on 1st April 2018 valuations.

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, etc.	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	131	2,261	2,030	6,647	-	2,328	13,397
Valued at fair value as at:								
- 2017/18	370,648	62,267	-	-	-	201	-	433,116
- 2016/17	-	15,563	-	-	-	98	-	15,661
- 2015/16	-	859	-	-	-	-	-	859
Total Cost or Valuation	370,648	78,820	2,261	2,030	6,647	299	2,328	463,033

It should be noted that the total figure in the table on the previous page does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £60,000. This difference relates to the balance outstanding at 31 March 2018 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 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 September 2014. Those items not externally valued due to their low intrinsic worth were assigned an internal nominal value of £50. The policy is to revalue the collections every 5 years with the next valuation due in September 2019.

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 September 2014 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 2017/18, items amounting to £3,210 have been added to the Social History collection, all of which were of a low intrinsic value.

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

NOTES TO THE ACCOUNTS

Reconciliation of the Carrying Value of Heritage Assets held by the Authority:

	Decorative Arts Collection	Visual Arts Collection	Other	Heritage Assets Total
	£000's	£000's	£000's	£000's
Cost or Valuation				
At 01/04/2017	331	6,923	1,017	8,271
Additions	-	-	2	2
Other Movements in Cost or Valuation	-	-	-	-
Depreciation	-	-	(3)	(3)
At 31/03/2018	331	6,923	1,016	8,270
At 01/04/2016	331	6,923	1,001	8,255
Additions	-	-	8	8
Revaluation	-	-	11	11
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(3)	(3)
At 31/03/2017	331	6,923	1,017	8,271

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:

	2017/18	2016/17
	£'000	£'000
Rental income from investment property	512	616
Direct operating expenses arising from investment property	(382)	(434)
Net gain / (loss)	130	182

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

	2017/18	2016/17
	£000	£000
Balance at start of year	11,425	11,477
Net gains / (losses) from fair value adjustments	(425)	(52)
Balance at end of year	11,000	11,425

All of the Council's Investment Properties are revalued by Carter Jonas LLP annually.

NOTES TO THE ACCOUNTS

As at 31st March 2018	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	11,000	-	11,000	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	11,000	-	11,000	

As at 31st March 2017	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	11,425	-	11,425	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	11,425	-	11,425	

16. Financial Instruments

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

	Long Term		Current	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Investments:				
Loans and receivables	-	-	64,424	53,018
Available for sale financial assets	5,895	-	10,636	18,437
Total Investments	5,895	-	75,060	71,455
Debtors:				
Loans and receivables	741	866	7,118	5,435
Total Debtors	741	866	7,118	5,435
Borrowings:				
Financial Liabilities at amortised cost	(136,217)	(136,232)	(3)	(56)
Total Borrowings	(136,217)	(136,232)	(3)	(56)
Creditors:				
Financial Liabilities at amortised cost	-	-	(14,724)	(12,056)
Total Creditors	-	-	(14,724)	(12,056)

NOTES TO THE ACCOUNTS

Income, Expense, Gains and Losses

	2017/18				2016/17			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available for sale £'000	Total £'000
Interest expense	(4,717)	-	-	(4,717)	(4,767)	-	-	(4,767)
Total expense in Surplus or Deficit on the Provision of Services	(4,717)	-	-	(4,717)	(4,767)	-	-	(4,767)
Interest income	-	340	78	418	-	388	156	544
Total income in Surplus or Deficit on the Provision of Services	-	340	78	418	-	388	156	544
Gains on revaluation	-	-	6	6	-	-	-	-
Losses on revaluation	-	-	(179)	(179)	-	-	-	-
Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(173)	(173)	-	-	-	-
Net gain / (loss) for the year	(4,717)	340	(95)	(4,472)	(4,767)	388	156	(4,223)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments using the following assumptions:

- For loans and receivables 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 trade and other receivables 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.

NOTES TO THE ACCOUNTS

	Input Level in Fair Value Hierarchy	Valuation Techniques Used to Measure Fair Value	As at 31/3/2018 £'000's	As at 31/3/2017 £'000's
Financial Assets - Available for sale				
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	5,895	0
Certificates of Deposit etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	10,636	18,437

The £5.895m Corporate Equity Funds investment relates to the Long Term Investments in the Balance Sheet whilst the £10.636m Certificates of Deposit etc. investments form part of the £34.697m Short Term Investments in the Balance Sheet.

Based on information received from the respective fund managers, two Corporate Equity Funds (RLAM 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 towards the end of March 2017 with regard to the qualifications, experience and proven track records of the staff managing the respective funds that the Council has invested in, it is satisfied that the funds are professionally managed and the valuations are accurate.

The Council's Certificate of Deposit and Corporate Bond investments have been revalued in the accounts to fair value at 31st March 2018 using prices supplied by its custodians, King & Shaxson Ltd., at 31st March 2018. As these prices directly relate to these investments within an active market it is considered that the prices supplied by King & Shaxson (which is the "mid-price" at 31st March for each individual investment) are on a Level 1 basis.

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

The introduction of IFRS13 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 (formerly Capita) Asset Services, has calculated the required fair values and the fair value of these PWLB loans at 31st March using the PWLB redemption rate is £220,753,449. The difference between this figure and the £136,157,000 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. 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 £136,157,000 is £175,829,874 including potential premiums of £39,620,649. IFRS 13 requires disclosure of the valuation method by which the fair value is arrived at. There are three

NOTES TO THE ACCOUNTS

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”.

17. Assets Held for Sale

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

	2017/18	2016/17
	£'000	£'000
Balance outstanding at start of year	122	796
Assets newly classified as held for sale:		
- Property, Plant and Equipment	98	79
Revaluation gains	24	43
Assets sold	(122)	(796)
Balance outstanding at year-end	122	122

18. Debtors (amounts due to the Council)

	31 March 2018	31 March 2017
	£'000	£'000
Central Government Bodies	2,490	864
Other Local Authorities	1,014	1,153
NHS Bodies	1	2
Public Corporations and Trading Funds	44	5
Other Entities and Individuals	2,646	2,262
Total Debtors	6,195	4,286

19. Cash and Cash Equivalents

	31 March 2018	31 March 2017
	£'000	£'000
Cash held by the Council	5	(2)
Bank current accounts	(839)	434
Money Market deposits	41,202	35,326
Total Cash and Cash Equivalents	40,368	35,758

20. Creditors (amounts owed to others by the Council)

	31 March 2018	31 March 2017
	£'000	£'000
Central Government Bodies	10,734	6,628
Other Local Authorities	1,765	1,389
Other Entities and Individuals	7,333	8,123
Total Creditors	19,832	16,140

21. Provisions

Provisions > 1 year	Land Charges	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2017	-	1,081	258	143	1,482
Additional provisions made in 2017/18	-	810	8	134	952
Amounts payable < 1 year transferred to short term creditors	-	(68)	(20)	(75)	(163)
Balance at 31 March 2018	0	1,823	246	202	2,271
Provisions < 1 year:	Land Charges	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2017	163	2,579	38	39	2,819
Additional provisions made in 2017/18	33	-	-	-	33
Amounts used in 2017/18	(1)	(847)	(20)	(64)	(932)
Unused amounts reversed in 2017/18	(195)	-	-	-	(195)
Amounts payable < 1 year transferred to short term creditors	-	68	20	75	163
Balance at 31 March 2018	0	1,800	38	50	1,888

Business Rates Appeals

The appeals are complex and can take several years to be decided. The total level of the provision for appeals is £9.06m. The Council's share is included in the above table. Further details can be found in the Collection Fund section of the accounts on page 96.

NOTES TO THE ACCOUNTS

22. Unusable Reserves

31 March 2017		31 March 2018
£000		£000
56,375	Revaluation Reserve	81,155
788	Deferred Capital Receipts Reserve	788
74	Available For Sale Financial Instruments Reserve	(99)
258,792	Capital Adjustment Account	254,210
(12)	Financial Instruments Adjustment Account	(12)
(37,938)	Pensions Reserve	(38,123)
1,209	Collection Fund Adjustment Account	2,594
(289)	Accumulated Absences Account	(287)
278,999	TOTAL UNUSABLE RESERVES	300,226

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.

2016/17		2017/18	
£000		£000	£000
35,432	Balance at 1 April		56,375
21,688	Upward revaluation of assets	27,610	
(5)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(1,751)	
21,683	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		25,859
(740)	Difference between fair value depreciation and historical cost depreciation	(848)	
	- Accumulated gains on assets sold or scrapped	(231)	
(740)	Amount written off to the Capital Adjustment Account		(1,079)
56,375	Balance at 31 March		81,155

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.

2016/17		2017/18
£'000		£'000
788	Balance at 1 April	788
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure	-
788	Balance at 31 March	788

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices, or fixed or determinable payments the balance is reduced when investments with accumulated gains are:

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

2016/17		2017/18	
£'000		£'000	£'000
59	Balance at 1 April		74
74	Upward revaluation of investments	6	
(59)	Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	(179)	
	Accumulated gains / (losses) on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		(173)
74	Balance at 31 March		(99)

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

NOTES TO THE ACCOUNTS

2016/17 £'000		2017/18 £'000 £'000	
218,238	Balance at 1 April (credit) Note: figures in brackets are debits		258,792
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
31,079	- Charges for depreciation and impairment of non-current assets	(10,795)	
43	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	347	
(1)	- Amortisation of intangible assets	(1)	
(1,836)	- Revenue expenditure funded from capital under statute	(265)	
(3,285)	- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(2,484)	
26,000			(13,198)
-	Accumulated gains on assets sold or scrapped		231
740	Difference between fair value depreciation and historical cost depreciation		848
26,740	Net written out amount of the cost of non-current assets consumed in the year		(12,119)
Capital Financing applied in the year:			
4,304	- Use of the Capital Receipts Reserve to finance new capital expenditure	745	
3,964	- Use of the Major Repairs Reserve to finance new capital expenditure	4,051	
917	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,651	
481	- Application of grants to capital financing from the Capital Grants Unapplied Account	67	
4,194	- Capital expenditure charged against the General Fund and HRA balances	402	
13,860			7,916
6	Minimum Revenue Provision		43
(52)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(425)
-	Removal of initial recognition of Donate Assets credited to the Comprehensive Income and Expenditure Statement		3
258,792	Balance at 31 March		254,210

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.

2016/17		2017/18
£'000		£'000
(34,167)	Balance at 1 April	(37,938)
(2,060)	Remeasurements of the net defined benefit liability	2,918
(4,109)	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	(5,358)
2,398	Employer's pensions contributions and direct payments to pensions payable in the year	2,255
(37,938)	Balance at 31 March	(38,123)

Collection Fund Adjustment Account

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

Council Tax	NNDR	Total		Council Tax	NNDR	Total
2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
£'000	£'000	£'000		£'000	£'000	£'000
71	(3,606)	(3,535)	Balance at 1 April	(13)	1,222	1,209
(84)	4,828	4,744	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	77	1,308	1,385
(13)	1,222	1,209	Balance at 31 March	64	2,530	2,594

NOTES TO THE ACCOUNTS

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.

2016/17		2017/18	
£'000		£'000	£'000
(282)	Balance at 1 April		(289)
282	Settlement or cancellation of accrual made at the end of the preceding year	289	
(289)	Amounts accrued at the end of the current year	(287)	
(7)	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		2
(289)	Balance at 31 March		(287)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17		2017/18
£'000		£'000
(519)	Interest received	(646)
4,766	Interest paid	4,713
2	Interest Element of finance lease payments	3

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2016/17		2017/18
£'000		£'000
(5,957)	Depreciation	(9,149)
37,038	Impairment and revaluations in consolidated income and expenditure	(1,298)
(1)	Amortisation of intangible assets	(1)
(5,589)	(Increase) / decrease in creditors	(3,503)
(566)	Increase / (decrease) in debtors	2,354
(100)	(Increase) / decrease in provision for bad debt	(51)
(9)	Increase / (decrease) in inventories	(5)
(1,711)	Movement in pension liability	(3,103)
(3,182)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(2,484)
234	Other non-cash items charged to the net surplus or deficit on the provision of services	100
20,158		(17,140)

The (surplus) or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2016/17		2017/18
£'000		£'000
4,974	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,635
729	Any other items for which the cash effects are investing or financing cash flows	2,797
5,703		6,432

24. Cash Flow Statement – Investing Activities

2016/17		2017/18
£'000		£'000
12,583	Purchase of property, plant and equipment, investment property and intangible assets	14,537
31,178	Purchase of short-term and long-term investments	35,104
(4,974)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(3,635)
(26,903)	Proceeds from the sale of short-term and long-term investments	(29,916)
(1,398)	Other receipts from investing activities	(5,329)
10,486	Net cash flows from investing activities	10,761

25. Cash Flow Statement – Financing Activities

2016/17		2017/18
£'000		£'000
744	Other receipts from financing activities	(471)
6	Cash payments for the reduction of the outstanding liabilities relating to finance leases	15
561	Other payments for financing activities	(67)
1,311	Net cash flows from financing activities	(523)

26. 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	2017/18	2016/17
	£'000	£'000
Basic	229	212
Special Responsibility	64	54
Chair and Vice Chair Allowances	17	19
Co-Optees	1	1
Other Allowances (Travel, Subsistence, etc.)	4	7
Total	315	293

NOTES TO THE ACCOUNTS

27. Officers' Remuneration

The remuneration paid to the Council's senior employees as defined by the Accounts and Audit Regulations 2015 is as follows:

Post Title		Salary including Fees and Allowances	Pension Contribution	Total Remuneration including Pension Contribution
		£	£	£
Chief Executive	2017/18	119,445	21,171	140,616
	2016/17	111,570	16,042	127,612
Deputy Chief Executive	2017/18	90,909	17,232	108,141
	2016/17	93,684	13,058	106,742
Deputy Chief Executive	2017/18	87,921	17,232	105,153
	2016/17	87,051	13,058	100,109
Head of Finance	2017/18	78,766	15,193	93,959
	2016/17	76,749	11,512	88,261

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		2017/18		2016/17	
		Number of Employees		Number of Employees	
		Total	Left in Year	Total	Left in Year
£50,000 - £54,999		2	-	5	3
£55,000 - £59,999		1	-	1	-
£60,000 - £64,999		3	-	3	-
£70,000 - £74,999		-	-	1	1
£85,000 - £89,999		1	1	-	-
£95,000 - £99,999		-	-	1	1

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 table overleaf:

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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	1	12	-	-	1	12	8,486	118,807
£20,001 - £40,000	2	-	1	-	3	-	89,210	-
£40,001 - £60,000	3	1	-	-	3	1	138,765	53,673
Total	6	13	1	0	7	13	236,461	172,480

28. External Audit Costs

The Council incurred the following fees in relation to external audit and inspection:

	2017/18	2016/17
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	54	54
Audit Fee - Objections to Accounts	-	3
Fees payable to Grant Thornton for the certification of grant claims and returns	12	13
Total	66	70

29. Usable Reserves

The movements on the Councils Usable Reserves are detailed in the Movement in Reserves Statement

31 March 2017		31 March 2018
£'000		£'000
17,375	General Fund Revenue Balance	18,597
24,608	Housing Revenue Account Balance	30,564
6,782	Major Repairs Reserve	9,242
6,686	Usable Capital Receipts Reserve	8,632
501	External Capital Grants / Contributions Unapplied	434
55,952	TOTAL USABLE RESERVES	67,469

NOTES TO THE ACCOUNTS

30. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18	2016/17
	£'000	£'000
Credited to Taxation and Non-Specific Grant Income		
New Homes Bonus	(1,938)	(2,258)
Small Business Rate Relief Grant	(1,697)	(725)
Revenue Support Grant	(794)	(1,587)
Discretionary Funding for Business Rates Relief	(137)	-
Transition Grant	(48)	(40)
Self & Custom Build New Burdens Grant	(30)	(15)
New Homes Bonus Returned Funding	(8)	(7)
Brownfields Register & PIP LA	(5)	(15)
Council Tax Annex Discount Grant	(2)	(3)
Transparency Setup Grant	-	(8)
Capital Grants and Contributions:		
Lottery Grant	(1,863)	-
S106 Contributions	(161)	-
Heritage Assets Donations	(3)	(8)
Pump Room Gardens Redevelopment	-	(93)
Victoria Park Skateboard Park	-	(83)
Indoor & Outdoor Sports Facilities	-	(48)
Flood Alleviation	-	(1)
Total	(6,686)	(4,891)
Credited to Services		
DWP grants for Housing Benefits	(28,228)	(28,856)
Better Care Fund	(750)	(684)
Housing Benefit Administration Grant	(532)	(557)
Parliamentary Elections	(350)	(3)
Homelessness Prevention	(305)	-
Contribution towards NNDR Collection	(222)	(217)
Local Land Charges	(32)	(9)
Electric Cars	(29)	-
Individual Electoral Registration	-	(31)
Development Control	-	(6)
Total	(30,448)	(30,363)
TOTAL GRANTS	(37,134)	(35,254)

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.

	2017/18	2016/17
	£'000	£'000
Capital Grants / Contributions Receipts in Advance		
S106 Contributions towards social housing, sports facilities & play equipment	4,254	1,886
Total	4,254	1,886

31. Related Party Transactions

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

Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2018 are included within the figures shown in Note 30.

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 Note 35.

Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2017/18 the precepts issued totalled £1,412,612 (2016/17 £1,305,773). The major preceptors were:

Major Preceptors	2017/18	2016/17
	£'000	£'000
Warwick Town Council	363	334
Royal Leamington Spa Town Council	332	323
Kenilworth Town Council	179	178
Whitnash Town Council	172	132

Council Members and Chief Officers:

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

Council Members have direct control over the Council's financial and operating policies. Grants totalling £461,042 (2016/17 £621,400) were paid to voluntary organisations in which seven members had positions on the governing body. The grants were made with proper consideration of

NOTES TO THE ACCOUNTS

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	2017/18	2016/17
	£	£
Citizens' Advice Bureau	100	100
Brunswick Healthy Living Centre	94	-
Shakespeare's England	75	56
Warwickshire Community and Voluntary Action (CAVA)	55	55
The Chain	28	30
Sydenham Neighbourhood Initiatives	22	-
Coventry & Warwickshire LEP	20	29
Hill Close Gardens Trust	20	-
Saint Chad's Trust (Bishop Tachbrook Community Centre)	-	321

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 - £328,000 in 2017/18 (£299,000 in 2016/17).

Entities Controlled or Significantly Influenced by the Authority:

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

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

In 2013 Warwick District Council initially invested £1 in the joint venture; there have been no other physical monetary transactions between the two entities since.

Losses Made by the Joint Venture:

Under the provision of IAS28, where the Council's share of the Joint Venture equals or exceeds its interest in the Joint Venture, the Council discontinues recognising its share of further losses. Under the agreement of the Joint Venture, the Council has not incurred any legal or constructive obligation to meet these losses or made payments on behalf of the Joint Venture, therefore no liability is recognised.

Under IAS28, the Council will resume recognising its share of any future profits reported by the Joint Venture only after its share of the profits equals the share of the losses not recognised. PSP Warwick LLP reported losses in 2013/14 and each subsequent financial year. These losses total £674,000 as at 31st March 2017/18. The Council's 50% share of the cumulative loss position of £337,000 will be offset against future profits.

Critical Judgements in Assessing the Collaborative Activity:

The Council's collaborative activity is PSP Warwick LLP with PSP Facilitating Limited constitutes an arrangement under which there is joint control owing to the need for unanimous consent for reserved matters on the PSP Warwick LLP Operations Board. As the Council has a right to a share of the net assets, the collaborative arrangement is deemed to be a joint venture under accounting standards however the transactions in 2017/18 were not considered material so group accounts have not been prepared.

The PSP Warwick LLP Report and Financial Statements for the year ended 30th April 2017 can be obtained from the registered office: Fairchild House, Redbourne Avenue, London N3 2BJ.

The Registered Company Number for PSP Warwick LLP is: OC383779

32. Capital Expenditure and Capital Financing

	2017/18	2016/17
	£000	£000
Opening Capital Financing Requirement	137,403	134,571
Capital Investment:		
Property, Plant and Equipment	15,142	14,775
Revenue Expenditure Funded from Capital Under Statute	265	1,836
Finance Leases Principal	15	79
Sources of Finance:		
Capital Receipts	(745)	(4,304)
Government grants and other contributions	(2,718)	(1,390)
Major Repairs Account	(4,051)	(3,964)
Sums set aside from revenue	(402)	(4,200)
Minimum Revenue Provision	(43)	-
Closing Capital Financing Requirement	144,866	137,403

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

NOTES TO THE ACCOUNTS

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	299	315
Later than one year and not later than five years	1,195	1,358
Later than five years	-	800
	1,494	2,473

Estimated future lease payments have reduced following a negotiated settlement being reached to terminate the lease for the land at Newbold Comyn Golf Course.

34. Impairment/Revaluation Losses

During 2017/18 Newbold Comyn Golf Course ceased to operate and the net book value of £1,253,000 was impaired, £444,000 to the General Fund Revaluations Reserve and £809,000 to the Surplus/Deficit on the provision of services and subsequently reversed out to the Capital Adjustment Account. The net book value of Covent Garden Multi Storey Car Park has been reduced by £1,699,000 (£863,000 to the General Fund Revaluations Reserve and £836,000 to the Surplus/Deficit on the provision of services which again was subsequently reversed out to the Capital Adjustments Account) in recognition of the current condition of the car park structure. In addition, Linen Street Multi Storey Car Park was revalued at 31/3/2018 and its net book value reduced from £425,000 to nil as a result of expenditure on the car park exceeding the income generated by this poorly used car park. In this case the £425,000 revaluation loss was charged in its entirety to the General Fund Revaluations Reserve.

35. 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 final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund 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	2017/18 £'000	2016/17 £'000
<i>Cost of Services:</i>		
- current service cost	4,346	2,906
<i>Financing and Investment Income and Expenditure:</i>		
- net interest expense	1,012	1,203
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,358	4,109
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)	(68)	(16,979)
- Actuarial gains and losses arising on changes in demographic assumptions	-	(1,588)
- Actuarial gains and losses arising on changes in financial assumptions	(2,858)	22,759
- Other	8	(2,132)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	2,440	6,169
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	(5,358)	(4,109)
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employer's contributions payable to scheme	2,255	2,398

NOTES TO THE ACCOUNTS

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:

	2017/18 £'000	2016/17 £'000
Present value of the defined benefit obligation	162,506	160,688
Fair value of plan assets	(124,383)	(122,750)
Net liability arising from defined benefit obligation	38,123	37,938

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2017/18 £'000	2016/17 £'000
Opening fair value of scheme assets	122,750	103,881
Interest income	3,169	3,604
Re-measurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	68	16,979
The effect of changes in foreign exchange rates		
Contributions from employer	2,255	2,398
Contributions from employees into the scheme	706	751
Benefits paid	(4,565)	(4,863)
Closing fair value of scheme assets	124,383	122,750

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	2017/18 £'000	2016/17 £'000
Opening balance at 1 April	160,688	138,048
Current service cost	4,346	2,906
Interest cost	4,181	4,807
Contributions from scheme participants	706	751
Re-measurement (gains) / losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	-	(1,588)
- Actuarial gains / losses arising from changes in financial assumptions	(2,858)	22,759
- Other experience	8	(2,132)
Benefits paid	(4,565)	(4,863)
Closing balance at 31 March	162,506	160,688

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2018				Period Ended 31 March 2017		
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000		Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
Cash and cash equivalents	1,597	-	1,597		1,661	-	1,661
Equity Securities (by industry type):							
- Consumer	13,957	-	13,957		14,284	-	14,284
- Manufacturing	4,952	-	4,952		5,221	-	5,221
- Energy and Utilities	2,064	-	2,064		2,301	-	2,301
- Financial Institutions	6,677	-	6,677		6,566	-	6,566
- Health and Care	3,722	-	3,722		4,446	-	4,446
- Information Technology	3,456	-	3,456		3,502	-	3,502
- Other	5,232	-	5,232		5,854	-	5,854
Sub-total equity	40,060	-	40,060		42,174	-	42,174
Property:							
- UK Property	12,679	-	12,679		11,506	-	11,506
- Overseas Property	33	-	33		82	-	82
Sub-total property	12,712	-	12,712		11,588	-	11,588
Private Equity:							
- All	-	4,530	4,530		-	4,317	4,317
Investment Funds and Unit Trusts:							
- Equities	31,969	-	31,969		30,450	-	30,450
- Bonds	19,079	-	19,079		20,831	-	20,831
- Hedge Funds	5,230	-	5,230		-	5,359	5,359
- Infrastructure	-	1,806	1,806		-	1,479	1,479
- Other	7,400	-	7,400		4,891	-	4,891
Sub-total Investments	63,678	1,806	65,484		56,172	6,838	63,010
TOTAL ASSETS	118,047	6,336	124,383		111,595	11,155	122,750

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 2016.

NOTES TO THE ACCOUNTS

The significant assumptions used by the actuary have been:

	2017/18	2016/17
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.7%	2.6%
Bonds	2.7%	2.6%
Property	2.7%	2.6%
Cash	2.7%	2.6%
Mortality assumptions:		
Longevity at 65 for Current Pensioners:		
Men	22.5 years	22.5 years
Women	24.7 years	24.7 years
Longevity at 65 for Future Pensioners		
Men	24.3 years	24.3 years
Women	26.7 years	26.7 years
Rate of inflation	3.4%	3.4%
Rate of increase in salaries	3.0%	3.0%
Rate of increase in pensions	2.4%	2.4%
Rate of discounting scheme liabilities	2.7%	2.6%

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)	6,500	(6,500)
Rate of increase in salaries (increase or decrease by 0.5%)	2,316	(2,316)
Rate of increase in pensions (increase or decrease by 0.5%)	13,079	(13,079)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	15,605	(15,605)

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 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The Council anticipates paying £2,223,000 expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 17.6 years, 2017/18 (17.6 years 2016/17).

36. Nature and Extent of Risks Arising from Financial Instruments

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

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy.

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. The Annual Investment Strategy also imposes a maximum sum to be invested with each type of financial institution located within each category.

The decision by the UK in June 2016 to leave the EU resulted in a downgrading of the UK's sovereign credit rating which affected the credit risk within the Council's Investments portfolio. The current "Brexit" negotiations also have the potential to impact on the credit risk within the portfolio particularly if the UK is seen to accept a deal which worsens its economic prospects. This potential negative impact will be monitored as negotiations proceed and the Annual Investment Strategies for 2017/18 onwards amended as appropriate with subsequent approval from the Council.

The credit criteria at 1st April 2018 in respect of investments held by the Council are:

Counterparty limits

Investment / Counterparty type:	S/termL/term		Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Proportion of Portfolio at 31st March 2018 £'000
Specified instrument: (repayable within 12 months)	(FITCH or equivalent)					
UK Govt., Local Authorities / Public Corporations /Nationalised Industries	n/a		n/a	£9m	364 days	3,000
Bank - Private UK (includes Fixed Term Deposits,CD's, and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£4m	364 days	11,000
	F1	A+	UK Sovereign	£6m	364 days	26,105
	F1	AA- & above	UK Sovereign	£7m	364 days	0
Corporates (Category 3 FRN'S, Bonds)	F1	A	UK Sovereign	£4m	364 days	500
	F1	A+	UK Sovereign	£5m	364 days	0
	F1	AA- & above	UK Sovereign	£6m	364 days	0
Money Market Fund(CNAV)	AAAm / Aaa-mf/AAAmmf			£9m	liquid	23,000
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAA/V1			£6m	liquid	12,000
Non-specified instruments						
Corporate Equity Funds - low risk		N/A		£4m	10 years	6,000
					Total	81,605

NOTES TO THE ACCOUNTS

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 2018, sundry debts outstanding stood at £2.0m of which £0.4m related to general debts and £1.6m 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 £0.03m and £0.77m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.0m less £0.8m bad debts provision follows:

	31 March 2018 £'000	31 March 2017 £'000
Less than three months	482	559
Four to six months	52	84
Seven to nine months	83	79
Ten to twelve months	27	85
More than one year	499	529
Total	1,143	1,336

At 31 March 2018, outstanding arrears in respect of council house rents and charges stood at £1.359m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.050m 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

Interest Rate Risk

The Council's external borrowing is made up of PWLB Fixed Rate Maturity loans with maturities of between 41 and 50 years and the average rate of the portfolio is 3.50%. This gives certainty in terms of interest payments but 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 2017/18 out-turn a 0.25% movement upwards in interest rates would have produced an additional £0.068m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council invests in Certificates of Deposits and Corporate Bonds 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

In 2017/18 the Council began investing in Corporate Equity Funds and any year end price fluctuations in these funds will be managed through the use of the Financial Instruments Available For Sale Reserve thus ensuring no impact on the General Fund. The Council has also established an investment volatility reserve: initially this reserve will 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 will be to retain its investments in such funds for at least 5 years in order to achieve the optimum investment returns and minimising the risk to the capital value from stock market price falls.

The Financial Instruments Available For Sale Reserve is due for abolition in 2018/19, discussions are taking place with the Government concerning a suitable alternative for councils but if no such replacement for this reserve materialises then any year end price fluctuations from then on will need to be charged to the General Fund. It is intended that this new reserve will also manage these to ensure the minimum impact on the General Fund.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

2016/17		Notes	2017/18	
£'000			£'000	£'000
	EXPENDITURE			
5,337	Repairs and Maintenance		4,770	
5,708	Supervision and Management		6,188	
115	Rents, Rates, Taxes and Other Charges		266	
78	Increased Provision for Bad Debts		204	
(33,328)	Depreciation and Impairment of Non-Current Assets	7	6,358	
(22,090)	TOTAL EXPENDITURE			17,786
	INCOME			
(25,587)	Dwelling Rents		(25,501)	
(809)	Non-Dwelling Rents		(885)	
(885)	Charges for Services and Facilities		(1,021)	
(539)	Contributions Towards Expenditure		(414)	
(27,820)	TOTAL INCOME			(27,821)
(49,910)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement			(10,035)
	73 HRA services share of Corporate and Democratic Core			74
	21 HRA share of other amounts included in the whole			19
(49,816)	Net Income for HRA Services			(9,942)
(1,822)	Gain or Loss on sale of HRA non-current assets			(1,152)
4,765	Interest payable and similar charges			4,713
159	Pensions Interest Cost and Expected Return on Pensions Assets			136
(208)	HRA Interest and Investment Income			(171)
(46,922)	(Surplus) / Deficit for the year on HRA services			(6,416)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE STATEMENT

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 Housing Revenue Account Balance before any discretionary transfers to or from reserves undertaken by the Council.

2016/17		Notes	2017/18	
£'000			£'000	£'000
1,386	Balance on the HRA at the end of the previous year			1,400
46,922	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement		6,416	
(44,549)	Adjustments between accounting basis and funding basis under statute	Main Notes 8	(460)	
2,373	Net increase or (decrease) before transfers to or from reserves		5,956	
(2,359)	Transfers (to) or from reserves		(5,931)	
14	Increase or (decrease) in year on the HRA			25
1,400	Balance on the HRA at the end of the current year			1,425

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

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

	31 March	31 March
	2018	2017
	Nos.	Nos.
Houses	2,396	2,412
Flats	2,417	2,436
Bungalows	670	670
	5,483	5,518

The change in housing stock can be summarised as follows:

	2017/18	2016/17
	Nos.	Nos.
Housing Stock at 1 April	5,518	5,473
New build	-	81
Purchases	-	-
Reclassification from non-operational to operational stock	-	11
Right to Buy Sales	(35)	(47)
Housing Stock at 31 March	5,483	5,518

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 2018	1 April 2017
	£'000	£'000
Council Dwellings	370,649	351,171
Other Properties	6,640	6,564
Land	275	275
Equipment	441	237
Assets Under Construction	-	4
Surplus Assets	-	-
Assets Held for Sale	121	122
Total Balance Sheet Items	378,126	358,373

NOTES TO THE HOUSING REVENUE ACCOUNT

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.

	2017/18	2016/17
	£'000	£'000
Vacant Possession Value of Dwellings at 1st April 2017 Prices (Open Market Value)	872,637	826,455
Balance Sheet Value of Dwellings (Social Housing Value)	370,664	351,168
(40% of Open Market Value)		
Economic Cost to Government	501,973	475,287

4. Summary of Capital Expenditure Funding Sources

	2017/18	2016/17
	£'000	£'000
Usable Capital Receipts	-	3,211
Revenue and Other Contributions	(335)	4,102
Major Repairs Reserve	4,052	3,964
TOTAL CAPITAL EXPENDITURE FUNDING	3,717	11,277

5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken for the 1st April 2018 valuation by the Council's valuers, Carter Jonas LLP. This resulted in a net increase in the value of the Council's housing stock of £19.177m. Revaluation gains of £24.527m were credited to the Housing Revenue Account Revaluation Reserve.

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

	2017/18	2016/17
	£'000	£'000
Sale of Council Houses	3,681	4,925
Other Non RTB Sales	-	47
Sale of Land	-	30
TOTAL CAPITAL RECEIPTS	3,681	5,002

NOTES TO THE HOUSING REVENUE ACCOUNT

7. Depreciation of Fixed Assets

	2017/18	2016/17
	£'000	£'000
Council Dwellings	6,037	2,923
Other Buildings	447	517
Land	-	-
Equipment	27	11
Reversal of previous revaluation losses charged to HRA	(153)	(36,779)
TOTAL DEPRECIATION	6,358	(33,328)

8. Arrears and Provision for Bad or Doubtful Debts

	2017/18	2016/17
	£'000	£'000
HRA Rent & Charges Arrears		
Current Tenant Rent Arrears	610	642
Former Tenant Rent Arrears	276	248
Dwelling Rent Arrears	886	890
Garage Rent Arrears	7	5
Supporting People Charge Arrears	31	43
Court Cost Arrears	154	144
Overpayment of Benefit Arrears	174	179
Other Arrears	108	-
Total Arrears	1,360	1,261
Prepayments		
Dwelling Rent Prepayments	(370)	(370)
Garage Rent Prepayments	(13)	(13)
Other Prepayments	(7)	(6)
Total Prepayments	(390)	(389)
Net Arrears	970	872
HRA Bad Debt Provisions		
Rent Bad Debt Provision	(861)	(780)
Court Cost Bad Debt Provision	(189)	(173)
Total Bad Debt Provisions	(1,050)	(953)

Arrears as a proportion of gross rent net of housing benefit

Current Tenant Rent Arrears	4.76%	6.09%
Net Arrears	6.42%	6.03%

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.

2016/17				2017/18		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
INCOME						
(83,978)	-	(83,978)	Council Tax Receivable	(89,017)	-	(89,017)
-	(70,315)	(70,315)	Business Rates Receivable	-	(68,893)	(68,893)
-	-	-	Transitional Protection Payments Receivable	-	-	-
(83,978)	(70,315)	(154,293)		(89,017)	(68,893)	(157,910)
Contributions to Previous Year's Deficit:						
-	(4,515)	(4,515)	Central Government	-	-	-
-	(903)	(903)	Warwickshire County Council	-	-	-
-	-	-	The Office of the Warwickshire Police and Crime Commissioner	-	-	-
-	(3,612)	(3,612)	Warwick District Council	-	-	-
-	(9,030)	(9,030)		-	-	-
(83,978)	(79,345)	(163,323)	TOTAL INCOME	(89,017)	(68,893)	(157,910)
EXPENDITURE						
Precepts and Demands:						
-	33,607	33,607	Central Government	-	30,619	30,619
64,798	6,721	71,519	Warwickshire County Council	68,464	6,124	74,588
9,960	-	9,960	The Office of the Warwickshire Police and Crime Commissioner	10,119	-	10,119
9,184	26,885	36,069	Warwick District Council	9,681	24,495	34,176
83,942	67,213	151,155		88,264	61,238	149,502
Distribution of earlier years' Collection Fund Surplus:						
386	-	386	Warwickshire County Council	(141)	277	136
-	-	-	Central Government	-	1,385	1,385
61	-	61	The Office of the Warwickshire Police and Crime Commissioner	(22)	-	(22)
55	-	55	Warwick District Council	(20)	1,108	1,088
502	-	502		(183)	2,770	2,587
Charges to the Collection Fund:						
217	630	847	Write-offs of uncollectable amounts	229	275	504
-	214	214	Warwick District Council: Cost of Collection Allowance	-	210	210
80	-	80	Increase / (Decrease) in Bad Debts Provision	-	-	-
-	(796)	(796)	Increase / (Decrease) in Provision for Appeals	-	(91)	(91)
-	(1)	(1)	Transitional Protection Payments payable	-	1,248	1,248
-	15	15	Renewable Energy Disregard	-	32	32
-	-	-	Interest payable	-	-	-
297	62	359		229	1,674	1,903
Movement On Fund:						
763	(12,070)	(11,307)	Net (Surplus) / Deficit for Year	(707)	(3,211)	(3,918)
(643)	9,014	8,371	(Surplus) / Deficit brought forward 1 April	120	(3,056)	(2,936)
120	(3,056)	(2,936)	(Surplus) / Deficit carried forward 31 March	(587)	(6,267)	(6,854)

COLLECTION FUND

1. General

The Collection Fund is a statutory account which shows the transactions of the billing authority (Warwick District Council) in terms of Council Tax and Business Rates, and demonstrates how income from these sources is distributed to precepting bodies and the General Fund. The surplus or deficit on the Collection Fund at the year-end is distributed to, or recovered from, the billing authority and the precepting bodies on the basis of fund outturn balance estimates made in the January before the year end.

2. Council Tax

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. These numbers are adjusted for various items. The number of properties for each band is then converted into a Band D equivalent by applying a designated ratio to arrive at the Council Tax Base. Individual charges are determined by dividing the demands and precepts of the Council, Warwickshire County Council and The Office of the Warwickshire Police and Crime Commissioner by the Council Tax base. The Council Tax base for 2017/18 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
@	-	12	-	(2.20)	9.80	5 / 9	5.44
A	4,735	19	257	(1,241.40)	3,769.60	6 / 9	2,513.07
B	11,527	44	605	(2,574.00)	9,602.00	7 / 9	7,468.22
C	16,790	14	557	(2,578.60)	14,782.40	8 / 9	13,139.91
D	12,505	(31)	359	(1,592.70)	11,240.30	9 / 9	11,240.30
E	7,166	(16)	351	(1,085.00)	6,416.00	11 / 9	7,841.78
F	4,892	(8)	105	(414.70)	4,574.30	13 / 9	6,607.32
G	3,969	(15)	39	(228.50)	3,764.50	15 / 9	6,274.17
H	424	(19)	8	(29.20)	383.80	18 / 9	767.60
	62,008	-	2,281	(9,746.30)	54,542.70		55,857.81
	Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief						557.38
	Less Council Tax Support Scheme						(3,705.51)
					COUNCIL TAX BASE 2017/18		52,709.68

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 46.6p for businesses with a rateable value of less than £50,999.
- The Non-Domestic Rate Multiplier of 47.9p for other businesses with a rateable value greater than £51,000.

The total rateable value of properties in the Warwick District area was £171,539,732 at 31 March 2018.

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

Accruals

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

Actuarial Gain (Loss)

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

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

Agency

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

Amortisation

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

Asset

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

Band D Equivalent

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

Best Value

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

Billing Authority

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

Budget

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

Business Rates (Non-Domestic Rates – NDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound. From 1 April 2013 Government reforms have amended this process by allowing some degree of Business Rate retention.

Business Rate Retention Scheme

Councils are able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. It provides a direct link between business rates growth and the amount of money councils will have to spend on local people and local services.

GLOSSARY

Capital Adjustment Account

Resources set aside to meet past capital expenditure.

Capital Programme

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

Capital Receipt

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

Capital Spending

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

Capital Spending Charged to Revenue

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

Cash-flow Statement

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

CIPFA

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

Collection Fund

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

Contingent liability

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

Corporate and Democratic Core

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

Council Tax

A tax charged on domestic householders based on which of eight Council Tax Bands their property falls into. There is a reduction for empty properties or if you live on your own. From 1 April 2013 councils must have a Council Tax Reduction Scheme which allows for Council Tax reductions of people, or classes of people, that are considered to be in financial need. In Warwickshire, the District or Borough Council issues Council Tax bills and collects the Council Tax.

Council Tax Base

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

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost

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

Current Spending

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

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 that is not paid by the end of the financial year.

Depreciation

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

Earmarked Reserves

Money set aside for a specific purpose.

Fair Value

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

Financial Reporting Standard (FRS)

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

General Reserves

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

Government Grants

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

Gross Spending

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

International Financial Reporting Standards (IFRS)

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

Inventories

Goods bought which have not yet been used.

Leasing

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

GLOSSARY

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'.

Minimum Revenue Provision (MRP)

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

Net Book Value

The value of an asset after depreciation.

Net Spending

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

Non-Distributed Costs

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

Notional

An accounting entry where there is no actual cash transfer.

Operating leases

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

Overheads

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

Past Service Costs

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

Pensions Interest Cost and Expected Return on Assets

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

Petty Cash

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

Precept

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

Property, Plant and Equipment

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

Provisions

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

Prudential Code

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

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- Treasury management decisions are taken in accordance with professional good practice.

Rateable Value (RV)

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

Reconciliation

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

Reimbursements

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

Reserves and Funds

Savings we have built up from surpluses.

Revaluation Reserve

Store of gains on the revaluation of fixed assets.

Revenue Spending

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

Revenue Support Grant

The main government grant to support local authority services.

Soft Loans

Loans made at less than the market rate of interest.

Specific Grants

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

Surplus

The remainder after taking away all expenses from income.

Note

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.

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

To follow

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

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

WARWICK DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017/18

1 INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require the Council to prepare an annual governance statement.
- 1.2 Governance is about how an organisation is directed and controlled in order to achieve its objectives. It therefore comprises the systems, structures and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct.
- 1.3 Good governance comprises robust systems and sound structures together with more esoteric characteristics such as effective leadership and high standards of behaviour. 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, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made and any weaknesses or gaps in our arrangements that need to be addressed.

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 and 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 and not absolute assurance of effectiveness.

ANNUAL GOVERNANCE STATEMENT

- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government that was issued in 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.
- 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 all include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services.
- 3.9 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Members' Codes of Conduct and protocols for member/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 from 1 July 2012. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.10 The Constitution contains procedure 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.
- 3.11 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.12 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.13 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, 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 authority's Annual Governance Report, together with how these deliver the same impact.
- 3.14 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
 - Head of Finance being a member of Leadership Team.

¹ Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives

- Head of Finance having responsibility for Asset Management.

- 3.15 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior members. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low.
- 3.16 For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. An examination of the reasons for this is to take place as soon as the financial statements have been finalised, particularly to ensure that it does not happen again. Without wishing to pre-empt the findings and conclusions from that review, it is clear that control mechanisms were not in place that should have highlighted at an earlier stage the errors in the draft set of final accounts.
- 3.17 Clearly, until the control weakness are identified in full and addressed, there remains a risk in relation to the Council's ability in future years to close the final accounts within the statutory deadline.
- 3.18 With regard to asset management, responsibility for this comes under the Deputy Chief Executive (BH) as that is where the expertise and the operational work lies.
- 3.19 The Council will continue to keep all reporting and responsibility arrangements under review and will discuss any perceived shortcomings with the Council's external auditors if and when they arise.
- 3.20 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.
- 3.21 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.22 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the Council's audit committee core functions in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive member (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.23 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 Members. The Standards Committee has responsibility for overseeing the investigation of complaints against Members.
- 3.24 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 Members annually.
- 3.25 The Council is embedding 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

ANNUAL GOVERNANCE STATEMENT

Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.

- 3.26 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.
- 3.27 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 Corporate Strategy and Fit For the Future programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.28 In May 2015 a new Council was elected. A Member induction programme was put in place with training sessions around the internal operation of the council and information about the Council's services. All Members received Code of Conduct and IT training. The Planning and Licensing Committees held specific induction training for their Members. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all Members, when required.
- 3.29 The Council strives to be open and accessible to the community. In 2017/18 it has:
- Published further information on the transparency section of the website to meet new guidelines and ensure that all the required information under the 2015 Local Government Transparency Code is being published
 - Enhanced its consultation activity concerning budget setting. For example, a meeting was held with local business representatives to discuss the Council's budget proposals, along with other matters of mutual interest (primarily business rates revaluation).
- 3.30 All Council committee meetings are open to the public except where confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available in paper form. When identifying the priorities and objectives for the Strategic Plan the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.
- 3.31 During 2017/18 the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery. This included the conclusion of Task & Finish Groups reviewing Houses in Multiple Occupation (HIMOs) and Car Parking Charges, both Groups making recommendations to the Executive. The Executive accepted the recommendations in respect of HIMOs. A new Task & Finish Group has also been established to look at the Role of the Chairman of the District Council.
- 3.32 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.

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 April 2017. 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 2017/18 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, reviewed by a panel of senior officers comprising the Monitoring Officer, the Section 151 Officer and the Head of Internal Audit, did not reveal any issues of significant concern.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case the review was undertaken two years ago, well within the specified period for such reviews. Some minor shortcomings were identified which were promptly addressed. The findings of this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. An essential element of the assessment is to confirm that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case.
- 4.8 Grant Thornton was appointed as the Council's External Auditor from 1 September 2012 to 31 March 2018 and is responsible for reviewing the Council's Statements of Accounts. In addition to

ANNUAL GOVERNANCE STATEMENT

reviewing the 2017/18 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 appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

- 4.9 Public Sector Audit Appointments has confirmed the re-appointment of Grant Thornton for the audit of the accounts from 2018/19 to 2022/23.

5 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 The only significant governance issue that has been identified concerns the Council's failure to meet the statutory deadline for publication of its financial statements (paragraphs 3.16 and 3.17).
- 5.2 The Council will conduct an examination into the conditions that led to this and initiate an action plan to ensure that this does not happen again.
- 5.3 Progress in achieving this action plan will be monitored by the Council's Senior Management Team and reported quarterly to its Finance and Audit Scrutiny Committee.

6 CERTIFICATION

- 6.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

Signed:

Andrew Mobbs
Leader of the Council

Dated: 27 November 2018

Chris Elliott
Chief Executive

Dated: 27 November 2018