

Finance and Audit Scrutiny Committee

Tuesday 28 July 2015

A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 28 July 2015 at 6.00pm.

Membership:

Councillor Barrott (Chair)	
Councillor Butler	Councillor Illingworth
Councillor Day	Councillor Mann
Councillor Gifford	Councillor Quinney
Councillor Harrington	Councillor Rhead
Councillor Heath	Councillor Thompson

Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

Agenda

Part A – General Items

*1. Substitutes

To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

*2. Declarations of Interest

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

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

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

*3. Minutes

To confirm the minutes of the meeting held on 30 June 2015.

Part B – Audit Items

***4. 2014/15 Annual Treasury Management Report**

To consider a report from Finance **(Item 4/Page 1)**

***5. Statement of Accounts and Annual Governance Statement 2014/15**

To consider a report from Finance **(Item 5/Page 1)**

***6. Grant Thornton Audit Committee Update**

To consider a report from Finance **(Item 6/Page 1)**

Part C – Scrutiny Items

***7. Review of Cultural Services Risk register**

To consider a report from Cultural Services **(Item 7/Page 1)**

***8. Business Plan Performance Management**

To consider a report from Housing & Property Services **(Item 8/Page 1)**

***9. Progress Report on Enterprise Projects**

To consider a report from Development Services **(Item 9/Page 1)**

***10. Comments from the Executive**

To receive a report from Civic & Committee Services **(Item 10/Page 1)**

***11. Review of the Work Programme & Forward Plan**

To consider a report from Civic & Committee Services **(Item 11/Page 1)**

***12. Executive Agenda (Non Confidential Items and Reports) – Wednesday 29 July 2015**

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

***13. Public and Press**

To consider resolving that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within paragraphs 1 and 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

***14. Confidential Comments from the Executive**

To receive a report from Civic & Committee Services

(Item 14/Appendix 2/Page 1)

***15. Executive Agenda (Confidential Items and Reports) – Wednesday 29 July 2015**

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting. You are requested to bring your copy of that agenda to this meeting (circulated separately).

(*Denotes those items upon which decisions will be made under delegated powers, as previously granted by Council)

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Details of all the Council's committees, councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

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The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday, 30 June 2015 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Barrott (Chair): Councillors Butler, Day, Gifford, Harrington, Heath, Illingworth, Quinney, Rhead and Thompson.

Also Present: Councillors Cross and Mobbs (Portfolio Holders) and Councillor Gill (observing).

10. Substitutes

There were no substitutes.

11. Declarations of Interest

Minute Number 13 – Executive Item 8 – Funding for Bishop’s Tachbrook Community Centre

Councillor Day declared a pecuniary interest because he had been heavily involved in the project as Chairman of St Chad’s Centre Trust Ltd, prior to being elected as a District Councillor in May 2015. He left the room whilst the item was discussed.

Minute Number 13 – Executive Item 10 – Request for funding for Improvements to King George’s Playing Fields at Barford

Councillor Rhead advised that he had facilitated a meeting on behalf of the applicant but had not attended himself. In addition, he was a resident of the village and was a trustee of a charity that had already provided funding to a different phase of this project.

Councillor Barrott advised that he too was a trustee of the charity that had already provided funding to a different phase of this project.

Minute Number 16 – Executive Item 7 – The introduction of a Pre-Application Charging Regime for development proposals

During consideration of the item, Councillor Thompson advised that he was an alumni of the University of Warwick and worked at the Student Union there.

Minute Number 17 – Executive Item ? – Development Services Contract Register

During consideration of the item, Councillor Gifford declared an interest as a Warwickshire County Councillor.

12. **Anti Fraud & Corruption Progress Report 2014/15**

The Committee received a report from Finance which outlined the Anti Fraud and Corruption Strategy following the annual review and proposed an action plan to maintain the strategy and help deliver its objectives.

Increasing concerns about the level of fraud and corruption in the public sector in the mid 1990s prompted the Audit Commission to produce a series of reports entitled "Protecting the Public Purse". Prior to this time most local authorities had no formal stance on fraud and no policies, procedures and systems in place to deal with it. One of the recommendations in the first report concerned the creation of an anti fraud culture with the formal adoption of a policy stating an authority's zero tolerance attitude to fraud and corruption.

Warwick District Council was amongst the first local authorities to act on this recommendation and adopted a policy and strategy in September 1995.

The report explained that keeping the strategy under review, coupled with the completion of an action plan, played a part in improving the overall control environment and raised awareness on fraud and corruption matters.

The Anti Fraud and Corruption Strategy had been reviewed to ensure that it remained relevant to the Council's structure and organisation and that it compared with strategies in place at other authorities.

The report updated Members on the steps taken to deliver the 2014/2015 action plan, detailed in Appendix A to the report, and presented the 2015/2016 action plan for approval, attached as Appendix B to the report. The action plan was based on the continuous improvement of the Council's anti fraud and corruption measures.

As part of the Government's Welfare Reforms, a Single Fraud Investigation Service (SFIS) had been set up and was being operated by the Department for Work and Pensions (DWP). It investigated state benefit fraud, HMRC fraud and Housing Benefit fraud previously investigated by local authorities. Therefore, this strategy related to corporate fraud and not Housing Benefit and Council Tax reduction.

The Senior Internal Auditor from the Council's Audit team presented the report and highlighted the culture of zero tolerance towards fraud. He also reminded all Members of the training sessions the team would be holding on the subject in September and advised that he had attended the Corporate Induction to deliver information to new starters.

Members discussed sections 6.2.3 and 6.2.4 of the strategy which related to Members declaring interests at meetings and ensuring the Register of Gifts and Hospitality was maintained. It was felt that employees should also be included in these paragraphs to ensure that staff and Members were treated equally.

The Chairman thanked the officers for attending and presenting the report.

Resolved that

- (1) the report and the progress made in implementing the 2014/2015 action plan, attached as Appendix A to the report, is noted; and
- (2) the action plan for 2015/2016 attached as Appendix B to the report is approved.

13. **Executive Agenda (Non Confidential Items & Reports) – Wednesday 1 July 2015**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 1 July 2015:

Agenda Item 8 – Funding for Bishop’s Tachbrook Community Centre

The Committee supported the recommendations in the report. Members did raise concerns about funding aspects, the information still being awaited on the Business Plan and appreciated the timing issues relating to the building contractor.

Agenda Item 10 – Request for funding for improvements to King George’s Playing Fields at Barford

The Finance & Audit Scrutiny Committee supported the recommendations with an amendment to the figure in bullet point 2 of recommendation 2.1 – this should read £81,000 not £71,000, and the subsequent changes to paragraphs 3.4 and 5.3.

14. **Public and Press**

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

15. **Executive Agenda (Confidential Items & Reports) – Wednesday 1 July 2015**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 1 July 2015:

Agenda Item 14 – Discretionary Relief Application (Council Tax)

The Committee passed its comments to the Executive.

Agenda Item 13 – Disposal of WDC owned land at Station Approach in Leamington Spa

The Committee supported the recommendations in the report.

(The meeting resumed public session.)

16. **Executive Agenda (Non Confidential Items & Reports) – Wednesday 1 July 2015**

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 1 July 2015:

Agenda Item 7 – The introduction of a Pre-application Charging Regime for development proposals

The Finance & Audit Scrutiny Committee supported the recommendations in the report, however, Members had concerns about the wording of the exemptions paragraph at the bottom of page 9. Members suggested that discretion could be used when dealing with some of the larger charitable organisations and the final reference to the LEP should read 'or' not 'and'. It was also hoped that listed buildings and heritage assets would be identified as an exemption.

The recruitment of agency staff to the Planning Officer vacancy was supported on this occasion to afford some protection to the Planning Reserve.

In addition, it was suggested that interim, quarterly reports could be submitted to measure take up of the service.

The Committee therefore recommended:

That the following amendments be made to the recommendations:

2.1 ii) to include an additional FTE Senior Planning Officer **by flexible recruitment**; and

2.1 iii) to review the operation of the regime **on a quarterly basis**.

17. **Development Services Contract Register**

The Committee received a report from Development Services which set out the process for the review by the Finance & Audit Scrutiny Committee of the Development Services Contracts Register. The report also highlighted any issues which needed to be addressed in the next 12 months.

The Committee was asked to review the register, attached as Appendix 1 to the report, and make observations on it as appropriate.

These reports gave Members the opportunity to consider the robustness of the register, make appropriate suggestions on how the register could be improved, and consider the document within the context of promoting sound procurement practice across the Council. Contract Management was an important element of procurement. Contracts needed to be properly managed to ensure compliance with the contract, whilst considering all relevant aspects that may affect the performance of the contract. Also, it was important that contract managers pro-actively planned ahead to ensure the procurement of future contracts was properly managed.

The report explained that officers within Development Services recognised the need to improve the information held on the Contracts Register and had been working closely with Procurement officers to discuss the best approach for the variety of contracts and procurement activities required within the service area. It was recognised that in some areas, there were contract arrangements that had been inherited and the original contract was not readily available.

Officers felt that the greatest need for the service area was to procure specialist consultancy services. This was done in various ways either through established frameworks, formal tender or Service Level Agreements.

The Portfolio Holder for Development Services, Councillor Cross, presented the report and accepted that the register was not currently at an acceptable standard. He assured Members that he would be working with officers to submit an acceptable register by October.

Councillor Rhead highlighted a number of issues with the document ranging from contracts that were unsigned to grammatical mistakes in the register. He stated that one of his main concerns was that this was being used as a way to circumnavigate the correct procurement processes.

In response, the Head of Development Services admitted that there was clearly work to do and explained the difficulties encountered in bringing in the wide ranging professional services that the department needed.

Members highlighted the lack of renewal dates on some of the Direct Award contracts and the importance of officers giving themselves enough time to complete the correct procurement processes before the contract ended.

There was some discussion that the October deadline may be unachievable due to the workload already being placed on the Procurement Team.

The Head of Development Services suggested that a compromise would be to submit an interim report in the next six weeks, prioritising the high value contracts.

It was agreed that an interim report in the next six weeks would be submitted whilst officers met with the Procurement Team to establish a realistic timescale for further work on the register.

Resolved that the contents of the report be noted and an interim report be submitted back to Committee in six weeks.

Following on from this item, the Head of Finance reminded Members that there would be a Procurement training session held next Wednesday evening and explained the role that Procurement Champions filled from this committee.

Members agreed that Councillors Barrott and Rhead would continue with their roles with Councillors Heath, Gifford and Quinney joining them as Procurement Champions.

18. **Comments from the Executive**

A report from Civic and Committee Services summarised the Executive's responses to comments which the Finance & Audit Scrutiny Committee gave on reports submitted to the Executive on 16 June 2015.

Resolved that the contents of the report be noted.

19. **Review of the Work Programme & Forward Plan**

The Committee considered its work programme for 2015/16 and the latest published version of the Forward Plan.

Members noted that the Housing Business Plan Performance Management report would be submitted to 28 July 2015 at the request of the new Portfolio Holder.

In addition, the Enterprise Projects report would also go to 28 July 2015 meeting to allow the new Portfolio Holder time to appraise and comment on the report.

Councillor Rhead addressed Members and requested that an item be added to the Work Programme to ensure regular scrutiny of the Council's Section 106 contributions. He advised that the version available online was a good start but he would like it to include a breakdown for each discipline, details of recipients and date of payment and contact details for

who to liaise with should payments be late. Councillor Rhead proposed that this was submitted to the Committee on a quarterly basis.

It was therefore agreed that the first report should be submitted to the 2 September 2015 meeting and added to the work programme accordingly.

Resolved that Scrutiny of S106 Agreements be added to the work programme for 2 September 2015 and on a quarterly basis thereafter.

20. **Treasury Management Activity Report for the period 1 October 2014 to 31 March 2015**

The Committee received a report from Finance which outlined how the Council had performed financially, what had been invested in and information relating to the money markets for the period 1 October 2014 to 31 March 2015.

The Head of Finance outlined the report and endorsed how well the Council was performing in the current economic climate.

Resolved that the report is noted.

21. **External Audit Fees 2015/16**

The Committee received a report from Finance which outlined details of the proposed 2015/16 audit fees, issued by Grant Thornton, the Council's external auditors.

The Committee was asked to note the proposed fees which had been set out as an appendix to the report.

The proposed fee to be charged for the Annual Audit of the 2014/15 Accounts, and associated work was £53,623, excluding grant claims with an indicative fee of £9,540, giving a total fee of £63,163. Details of the fees were set out in the Planned Audit Fee letter from Grant Thornton, dated 16 April 2015 and attached as an appendix to the report.

For 2013/14 the main fee was £70,597 and £8,530 for grant claims. The reduction in fees had been enabled by the procurement exercises run by the former Audit Commission across both the Local Government and Health Sectors.

The reduction in the fees charged would be used towards the savings targets that had been built into the financial projections and reflected within the Budget Review report to the Executive on 29 July.


The report also explained that any additional work required by Grant Thornton may attract additional fees. This was the case for the work required on recent objections to the accounts, for which the fee was still expected. Members discussed this issue and noted that out of the four

objections, three had now been fully reviewed. Unfortunately, the work could not be signed off until the fourth objection had been resolved.

The Committee supported the report and was pleased at the reduction in fees. Councillor Rhead also highlighted the reference to successful procurement resulting in a reduction in fees as detailed in paragraph 5.2 of the report.

Resolved that the proposed fee for the 2015/16 audit is noted.

(The meeting ended at 8.44 pm)

 Finance and Audit Scrutiny Committee 28th July 2015.		Agenda Item No. 4
Title	2014/15 Annual Treasury Management Report	
For further information about this report please contact	Karen Allison, Assistant Accountant 01926 456334 Roger Wyton, Principal Accountant 01926 456801 e mail: karen.allison@warwickdc.gov.uk e mail: roger.wyton@warwickdc.gov.uk	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	Treasury Management Annual Strategy Plan 2014/2015 Various documents from Capita Asset Services - Treasury Solutions	
Contrary to the policy framework:		No
Contrary to the budgetary framework:		No
Key Decision?		No
Included within the Forward Plan? (If yes include reference number)		No
Equality & Sustainability Impact Assessment Undertaken		No – not relevant
Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive	08.07.2015	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	13.07.2015	Mike Snow
Monitoring Officer	N/A	
Finance	08.07.2015	Roger Wyton
Portfolio Holder(s)	N/A	
Consultation & Community Engagement:		None
Final Decision?		Yes
Suggested next steps (if not final decision please set out below): N/A		

1. **Summary**

- 1.1. The Council is required to report upon its 2014/15 Treasury Management performance by 30th September. This report therefore details and reviews the Council's performance for the whole of 2014/15 and is attached as Appendix A.
- 1.2 Consideration of the Council's Treasury Management activities is within the remit of the Finance and Audit Scrutiny Committee hence, it is appropriate to report the Council's annual performance direct to this Committee.
- 1.3 The report follows the format used in the [Treasury Management Strategy Plan](#) presented to the Executive on 12th March 2014 and comments, where appropriate, on the Council's actual performance against what was forecast in the Strategy Plan. The Council also has to comment upon its performance against its Annual Investment Strategy for the year.

2. **Recommendations**

- 2.1 That the Members of the Finance and Audit Scrutiny Committee note the contents of this report in respect to this Council's 2014/15 Treasury Management activities.

3. **Reasons for the recommendations**

- 3.1 The 2014/15 Treasury Management Strategy and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, require that the Treasury Management function reports upon its activities during the year by no later than 30th September in the year after that which is being reported upon.

4. **Policy framework**

- 4.1 **Policy Framework** -The Treasury Management function enables the Council to achieve its objectives within the strategy and policies.
- 4.2 **Fit for the Future** – The Treasury Management function enables the Council to meet its vision of a great place to live work and visit as set out in the Sustainable Community Strategy. Treasury Management will support the Council in achieving its aims as set out in "Fit for the Future".
- 4.3 **Impact Assessments** – No impacts of new or significant policy changes proposed in respect of Equalities.

5. Budgetary framework

- 5.1 Treasury Management has a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimise borrowing interest payable. The Council is reliant upon interest received to help fund the services it provides. As detailed in paragraph 12.10, the net interest received by the General Fund for 2014/15 was £261,199 against a revised estimate of £239,361 and original of £180,518.

6. Risks

- 6.1 Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the SLY principle. Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).
- 6.2 In addition, the introduction, for 2014/15, of Variable Net Asset Money Market Funds into the portfolio potentially increases capital risk through potential capital loss due to market price fluctuations. This is mitigated by good cash flow management ensuring that investments are available for the necessary length of time to ensure that there is no negative impact on the capital value of the fund. In addition, mitigation is achieved by having a lower investment limit than for Constant Net Asset Value Money Market Funds in which there is no risk of capital loss. In 2014/15 the Council invested in the Federated Cash Plus Fund which is a Variable Net Asset Money Market fund and suffered no loss in capital as a result of doing so.
- 6.3 Corporate Bonds and Floating Rate Notes (FRN's) introduce Counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRN's with a strong Fitch credit rating, in this case A+ and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy. The Council made no use of these instruments in 2014/15.

7 Alternative option considered

- 7.1 None.

2014/15 ANNUAL TREASURY MANAGEMENT REPORT

8. Review of the interest rate environment.

- 8.1 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.
- 8.2 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then, particularly the heavy "No" vote in the referendum held on 5th July 2015 have increased fears that there is still a chance that Greece will exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ has been disproved with the consequent impact on the EU economy including the UK as a whole. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. It was expected that the UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However the picture has become more complicated since the general election in May 2015 due to concerns about the impact that any referendum on the UK's membership of the EU would have on the potential growth of the economy particularly if the UK votes to leave the EU which accounts for a substantial proportion of the UK export market.

9. Capital expenditure and financing

- 9.1 The Council's capital programme for 2014/15 amounted to £10,215,880 and was financed in the following manner:-

	2014/15 Actual		Strategy Report
	£		£
Prudential Borrowing	0		0
Capital Receipts	1,315,403		2,120,300
Revenue and Reserves	6,639,130		10,031,100
External Contributions and Grants	2,261,347		1,453,500
Total	10,215,880		13,604,900

10. Borrowing

- 10.1 The Council managed its cash flow during the year such as to not require any temporary borrowing.
- 10.2 The Council incurred £4,765,564 interest on its external borrowing portfolio of £136.157 million in 2014/15 which was charged entirely to the HRA as it related to the Self Financing borrowing incurred in 2011/12.
- 10.3 Interest rates were such during the year that it precluded any opportunity for either the repayment or rescheduling of the PWLB debt.

11. Treasury limits and prudential indicators

- 11.1 The Prudential Capital Finance system was introduced on 1st April 2004. The system is regulated by a number of Prudential Indicators, a number of which are relevant for treasury management purposes and are included in the Annual Strategy Report. The table overleaf shows the outturn against those quoted in the Strategy Report:-

	2014/15 Out-turn		2014/15 Strategy Report
	£		£
Authorised Limit for External Debt			
Borrowing	162,050,000		165,050,000
Other Long term Liabilities	1,077,000		1,080,000
Total	163,127,000		166,130,000
Operational Boundary for External Debt			
Borrowing	151,050,000		151,050,000
Other Long term Liabilities	77,000		80,000
Total	151,127,000		151,130,000
Capital Financing Requirement			
General Fund	-£1,326,896		-£1,326,896
Housing Revenue Account	£135,786,796		135,786,796
Overall	£134,459,900		£134,459,900
Incremental Impact on Council Tax / Housing Rents			
Council Tax	£1.29		£3.83
Housing Rent	£0.00		£0.00

11.2 There are the following indicators relating to borrowing:-

Upper limit to fixed interest rate and variable interest rate exposures

Strategy Report - Upper Limit Fixed Rate = 100%

Actual – Upper Limit Fixed Rate = 100%

Strategy Report - Upper Limit Variable Rate = 30%

Actual – Upper Limit Variable Rate = 30%

Upper and lower limits respectively for the maturity structure of borrowing

Period	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

In both cases the indicators were complied with as the only borrowing outstanding at the year end was the £136.157m PWLB debt in respect of the HRA Self Financing Payment. This debt is all fixed rate maturing from years 41 to 50 of the Business Plan and therefore this is within both indicators shown above.

- 11.3 The final indicator monitors the amount invested for periods longer than 364 days which in 2014/15 was set at 60% of the investment portfolio subject to a maximum of £15 million at any one time. During 2014/15 the Council entered into three investments for 365 days or over totalling £6m which together with the £7m entered into in 13/14 and which still had 365 days or more to run at 1st April 2014 amounted to a total invested for 365 days or more of £13m. Therefore the indicator was complied with.

12. Annual investment strategy and investment performance

- 12.1 The Government guidance on local government investments requires the production of an Annual Investment Strategy which amongst other things outlines the investment vehicles which could be used by the Council and separates them off into Specified and Non Specified investments. The 2014/15 Annual Investment Strategy was approved by the Council in March 2014 and can be accessed by clicking on the link in paragraph 1.3.
- 12.2 During the year the in house investments were invested in the Money Markets and Money Market Funds.
- 12.3 The in house function has invested the Council's core cash funds in both fixed term Money Market deposits and Certificates of Deposit (CD's). The table below illustrates the performance for the year of the in house function for each category normally invested in (please refer to 2nd half year report for a breakdown by half year):-

(It should be noted that this table reflects investments placed in the year and does not take into account investments that were placed during 2013/14 which matured during 2014/15 and therefore the total interest for 2014/15 does not compare with that shown in paragraph 5.1 which is also net of the amount credited to the Housing Revenue Account in respect of interest earned on its balances).

Money Market (including Certificate of Deposits) Investments:

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) performance
Up to 7 days			
Annual Performance	No investments made in year		
Over 7 days & Up to 3 Months			
Annual Performance	0.48%	0.48%	+0.00%
Annual Interest	£4,756	£4,748	+£8

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) performance
Over 3 Months & Up to 6 Months			
Annual Performance	0.67%	0.62%	+0.05%
Annual Interest	£30,301	£27,721	+£2,580
Over 6 Months to 364 days			
Annual Performance	0.91%	0.93%	-0.02%
Annual Interest	£154,579	£158,179	-£3,600
365 days and over			
Annual Performance	0.98%	1.00%	-0.02%
Annual Interest	£68,663	£70,020	-£1,357
Total Annual Interest – All categories.	£258,299	£260,668	-£2,369

- 12.4 Due to Money Market Funds outperforming the Up to 7 Day area of the Money Markets, this category was not used in 2014/15. The first half year saw an out performance in the '3 to 6 months' period and marginal underperformance in the 'over 6 months to 364 days' and '365 days and over' periods when compared to the LIBID benchmark plus an enhancement of 0.0625%. During the second half year the outperformance in the '3 to 6 months' period continued and the previous half years underperformance in the '365 days and over' period was converted into an outperformance due to investments placed with a part nationalised bank offering enhanced rates. In the 'over 6 months to 364 days' the in house performance almost precisely matched the enhanced LIBID target for the period.
- 12.5 The in house function utilised the AAA rated Constant Net Asset Value (CNAV) Invesco AIM, Deutsche, Federated, Ignis and Goldman Sachs Money Market Funds to assist in managing its short term liquidity needs. The table overleaf illustrates the performance of all the funds for the full year:

Money Market Funds:

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Deutsche			
Annual Performance	0.38%	0.42%	-0.04%
Annual Interest	£511	£553	-£42
Goldman Sachs			
Annual Performance	0.41%	0.42%	-0.01%
Annual Interest	£2,473	£2,515	-£42
Invesco Aim			
Annual Performance	0.42%	0.42%	0.00%
Annual Interest	£3,535	£3,468	+£67
Federated Prime Rate Constant Net Asset Value (CNAV)			
Annual Performance	0.48%	0.42%	+0.06%
Annual Interest	£16,559	£14,330	+£2,229
Federated Prime Rate Variable Net Asset Value (VNAV)			
Annual Performance	0.66%	0.62%	+0.04%
Annual Interest	£36,892	£34,288	+£2,604
Ignis			
Annual Performance	0.46%	0.42%	+0.04%
Annual Interest	£39,018	£35,027	+£3,991
TOTAL INTEREST FOR YEAR	£98,988	£90,181	+£8,807

- 12.6 The Up to 7 Days LIBID rate is the benchmark in this instance and it can be seen that three of the CNAV funds made returns just short of the benchmark. The policy during 2014/15 was to maximise the use of the 2 higher performing CNAV MMF's and as such, at times it was necessary to place funds in the lower performing funds as a result of the counterparty limits on the higher performing funds being reached. Of the lower performing funds, it should be noted that the Deutsche fund was little used during the year with investments being shared between the Goldman Sachs and Invesco Aim funds. The two higher performing CNAV funds made returns in excess of the LIBID benchmark as a result of their having a slightly longer weighted average maturity (WAM) i.e. nearer the 60 day weighted average maximum maturity for CNAV funds.

- 12.7 Having identified that some of the cash invested in the Federated CNAV MMF was not likely to be required for cash flow purposes for at least 6 months, early in 2014/15 the Council opened up a Variable Net Asset Value (VNAV) Money Market Fund with Federated in order to take advantage of the higher rate of return offered by this vehicle over its CNAV counterpart. Unlike CNAV funds where the capital value is not allowed to fluctuate i.e. for every £ you put in you get a £ back, the capital value in VNAV funds can fluctuate although usually only within a tight band so any potential capital loss is likely to be very limited. For this reason it is necessary to view VNAV funds over a longer time horizon, typically 6 to 9 months, than their CNAV counterparts in order to even out any fluctuations in the capital value and to take advantage of the longer weighted average to maturity (WAM) that VNAV funds are permitted to run. This allows them to invest in longer dated investment vehicles with higher interest rates thus increasing the yield over their CNAV counterparts. In the case of Federated our CNAV fund yielded 0.48% as opposed to the VNAV fund which yielded 0.66%. This perceived greater risk thus yielding a higher return. However, it must be stressed that all Money Market Funds whether CNAV or VNAV have to adhere to a very strict credit rating criteria and therefore funds with slightly more risk in them are still very safe.
- 12.8 The Council operates two Call accounts with HSBC and Svenska Handelsbanken. In the case of the HSBC account on balances of £2m+ this offers instant access at a rate more or less equivalent to our lower performing CNAV MMF's thus forming a useful addition for investing the Council's cash flow derived money. The Svenska Handelsbanken account is a 35 day notice account currently offering 0.55% which compares favourably with the rate available in the Money Markets for 1 month fixed investments. Because of cash flow demands the HSBC Business Deposit Account underperformed against the LIBID benchmark rate but the Svenska Handelsbanken account compensated by comfortably outperforming the benchmark as can be seen in the table overleaf:

Call Accounts:

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
HSBC Business Deposit a/c			
Annual Performance	0.38%	0.42%	-0.04%
Annual Interest	£9,226	£9,949	-£723
Svenska Handelsbanken			
Annual Performance	0.55%	0.42%	+0.13%
Annual Interest	£27,559	£20,527	+£7,032
TOTAL INTEREST FOR YEAR	£36,785	£30,476	+£6,309

- 12.9 In paragraph 5.1 of the Annual Investment Strategy, the Council anticipated that it would have an average investment balance in the region of £48m during 2014/2015. The actual was £61.5m, the increase being partly accounted for by slippage in the capital programme leading to higher than expected balances in reserves, unused capital receipts and from increased cash flows during the year. In addition the impact of the Housing Self-Financing regime has resulted in increased investment balances both of a cash flow nature and also as a result of the enhanced Capital Programme new build envisaged by the business plan not yet commencing. As an illustration of this the balances on the Major Repairs Reserve and Housing Capital Investment Reserve have increased by £1.8 million and £3.8 million respectively at the end of the year. The investment strategy of this cash would not have been any different had we known about the "additional" £5.6m. Paragraph 5.2 of the Annual Investment Strategy makes reference to a 40% maximum long term investments holding. The average investment balance in 2014/15 was £61.5m of which a maximum of £15m could have been invested for more than 364 days at any one time. In actual fact £13m was invested for more than 364 days which was 21% of the portfolio and therefore the Council did not exceed the 40% limit on longer term investments nor did it contravene the requirement to hold at least 60% of its portfolio in short term (364 days or less) investments. A comparison between 2013/14 actual, 2014/15 latest and 2014/15 actual in terms of in house investment interest returns and interest rates is shown in the table below:-

In House Investment Returns:

<u>Year</u>	<u>Interest Received (£)</u>	<u>Interest Rate Achieved %</u>
2013/14 actual	367,931	0.69
2014/15 latest	396,412	0.70
2014/15 actual	428,145	0.70

In the Annual Investment Strategy approved in March 2014, it was anticipated that the in house portfolio would achieve a 0.64% return for 2014/15. The actual rate was 0.70% which is identical to the 2014/15 revised.

- 12.10 The table below compares the actual total interest received by the Council with what was expected when the original and latest estimates were calculated and also the 2013/14 actual:-

	Credited to General Fund	Credited to Housing Revenue Account	Total Investment Interest Earned
	£	£	£
2013/14 Actual	242,387	131,700	374,087
2014/15 Original	180,518	137,600	318,118
2014/15 Latest	239,361	167,500	406,861
2014/15 Actual	261,199	178,300	439,499

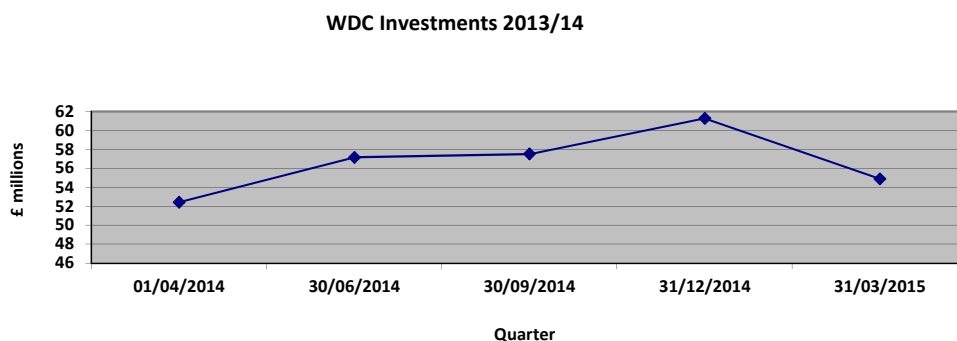
It should be borne in mind that the 2013/14 and 2014/15 actual figures in the tables in 12.9 and 12.10 are not directly comparable as the table in 12.9 relates only to investments made whilst the figures in 12.10 include interest received from other sources i.e. car loans, long term investments e.g. war stock and deferred capital receipts.

- 12.11 An analysis of the overall investments of the Council as at 31st March 2015 is shown in the table below, with the previous year's figures shown for comparison purposes:

IN HOUSE	<u>31st March 2015</u>	<u>31st March 2014</u>
TYPE OF INVESTMENT	£	£
Money Markets inc. CD's	32,075,768	34,010,804
Call Accounts	7,278,000	5,739,000
Money Market Funds	15,541,000	12,671,000
Total	54,894,768	52,420,804

It should be noted that the Money Markets figure at 31st March 2015 includes £75,768 capital appreciation as a result of the price for each CD at 31st March being greater than that which was paid when the CD was originally purchased. However, these CD's were purchased on a "buy to hold" basis and thus this capital appreciation will not be realised when the CD's mature as they will be redeemed at "par" i.e. the original price.

- 12.12 The graph overleaf shows how the total of the Council's investments varies through the year according to its cash flows. It illustrates that during the period April to December the Council's investments grows as cash flows in from such sources as Council Tax & NNDR and then from January onwards how the investments decline as cash flows out e.g. precepts exceed that coming in.



13. Performance measurement

- 13.1 In addition to the in house local benchmarks referred to in the tables in paragraphs 12.3, 12.5 and 12.8 the Council participates in the Capita Asset Services Investment Benchmarking Club which benchmarks not only investment returns but also the maturity and credit risk inherent in the portfolio. The Council is part of a local group which consists of District and County Councils and our performance over the past year is reflected in the tables below:-

Table A Weighted Average Rate of Return (WARoR)

	WDC WARoR %	Local Group WARoR %	Capita Asset Services Model WARoR %
June Quarter	0.70	0.62	0.71
September Quarter	0.70	0.67	0.70
December Quarter	0.71	0.66	0.70
March Quarter	0.77	0.69	0.75
Average for Year	0.72	0.66	0.72

(n.b. it should be noted that the average interest rate for the year is not directly comparable to that quoted in paragraph 12.9 as that contains the effect of investments made in 2013/14 and maturing in 2014/15 whereas the rate in table A relates to 2014/15 investments only.)

- 13.2 It can be seen that the Council's average return was in line with the Capita Asset Services' model portfolio rate of return based on the risk in our portfolio. The Council's average for the year outperformed against the local group's rate of return mainly due to the local group having a greater proportion of their investments in the relatively short end of the market of up to 6 months, on average 88% of their portfolio compared with WDC's 68%.As a consequence the local group were not able to benefit from the more

attractive rates being offered for longer term investments particularly of 364 day duration by the likes of Lloyds Banking Group. This Council took the view that with short term rates unlikely to move much away from the Bank Rate of 0.50% benefit was to be had from investing in longer term investments in order to increase the yield in the portfolio without materially affecting the security of the portfolio. This was achieved by investing with Lloyds Banking Group and Royal Bank of Scotland both of whom are part owned by the UK Government and by purchasing certificates of deposits from highly credit rated counterparties.

Table B Weighted Average Credit Risk

	WDC	Local Group
June Quarter	2.6	2.9
September Quarter	2.3	2.8
December Quarter	2.6	2.6
March Quarter	2.4	2.7
Average for Year	2.5	2.8

- 13.3 This benchmark measures the average credit risk in the portfolio according to the institutions invested in and corresponds to the duration limits in Capita Asset Services' suggested credit methodology using a sliding scale of 1 to 7 where 1 indicates the least risk of default. The above table shows that this Council's credit risk during the year had a level below that of the local group and analysis of the data indicates that for three quarters of the year this was due to this Council having a greater amount of its portfolio invested in highly rated counterparties such as part nationalised UK banks e.g. Lloyds and RBS and triple A rated Money Market Funds than the local group. The Council also did not have any investments with Building Societies as opposed to the local group which between them had 8% to 10% of their portfolio's invested with these institutions. In general Building Societies have lower credit ratings or indeed are unrated which in the Capita Benchmarking model attracts a greater credit risk factor.

14. The Euro

- 14.1 The Treasury Management Strategy Plan requires the Treasury Management function to keep up to date with matters relating to the UK's possible entry into the Euro. A number of factors such as the fact that a) the Eurozone faces the likelihood of weak growth over the next few years b) the current crisis concerning Greece's position within the Eurozone and c) the potential referendum on the UK's membership of the EC make it extremely unlikely that the UK will consider joining the Eurozone for the foreseeable future.


15. External treasury management advisers

- 15.1 Capita Asset Services continues to provide our Treasury Management Advisory service. Following the requisite procurement exercise, the contract

was renewed in January 2015 for a further three years with a provision to extend for another 2 years.

16. Other issues

- 16.1 The Council has entered into a joint venture with Waterloo Housing Association in which Council land will be sold on a deferred basis to the Housing Association in order to provide resources for additional social housing. The first parcel of land, the former Kingsway Community Centre, was sold during 2012/13 to Waterloo HA which resulted in a deferred capital receipt of £224,252. During 2014/15, further sales to Waterloo of WDC land comprising two garage sites at Bourton Drive and Henley Road and a site at the rear of Market Street in Warwick took place resulting in additional deferred capital receipts of £564,225 which again will not be available for use until the final instalment payment is received some years in the future.

 Finance & Audit Scrutiny Committee 28 July 2015		Agenda Item No. 5	
Title		Statement of Accounts and Annual Governance Statement 2014/15	
For further information about this report please contact		Marcus Miskinis Tel 01926 456804 marcus.miskinis@warwickdc.gov.uk	
Wards of the District directly affected		None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?		No	
Date and meeting when issue was last considered and relevant minute number			
Background Papers		Executive 16 June 2015 – Final Accounts 2014/15	
Contrary to the policy framework:			No
Contrary to the budgetary framework:			No
Key Decision?			No
Included within the Forward Plan? (If yes include reference number)			No
Equality & Sustainability Impact Assessment Undertaken			N/A
Officer/Councillor Approval			
Officer Approval	Date	Name	
Chief Executive/Deputy Chief Executive	9 July 2015	Andrew Jones	
Head of Service	9 July 2015	Mike Snow	
CMT	10 July 2015		
Section 151 Officer	9 July 2015	Mike Snow	
Monitoring Officer	N/A		
Finance	N/A	Finance Report	
Portfolio Holder(s)	14 July 2015	Councillor Whiting	
Consultation & Community Engagement			
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.			
Final Decision?			Yes
Suggested next steps (if not final decision please set out below)			
The Statement of Accounts 2014/15 will be subjected to External Audit and the Audited Accounts will be presented to this Committee and Council in September 2015 for formal approval.			

1. SUMMARY

- 1.1 The accounts have been closed in respect of the financial year 2014/15 and the outturn duly reported to the Executive in June.
- 1.2 The draft Statement of Accounts 2014/15 has now been produced and will be subject to Audit up to the end of September. The Audited Statement of Accounts will be presented to this Committee and Council in September for formal approval.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee notes the pre-audit Statements.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 As part of corporate governance, Members have an important role in overseeing the framework of internal control of the Council. Although the Statements are still subject to audit, it is considered helpful to Members to get an early sight of them.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Statement of Accounts for 2014/15 represents a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a historical presentation of the past year's operations.
- 4.3 **Impact Assessments** - The Council's Statement of Accounts covers the community throughout the District. It is a statement of fact and officers will have considered any impact when finalising the accounts.

5. BUDGETARY FRAMEWORK

- 5.1 The Statement of Accounts 2014/15 (Appendix A) is a historic account of the financial performance of the year and shows comparison with the budget (where appropriate) for 2014/15 and the results for 2013/14.
- 5.2 Full details looking at the outturn for the year against the agreed budget was included within the Final Accounts report to the Executive in June.
- 5.3 The Finance and Audit Scrutiny Committee were presented in May 2014 with the Grant Thornton "Guide to Local Authority Accounts". This guide should help members understand the accounts and scrutinise any matters and is included as Appendix B.

6. RISKS

- 6.1 The main risk is that External Audit identifies significant errors in the accounts that require amendment.

7. ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 Not to review the pre-audit statements.

8. BACKGROUND

- 8.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- 8.2 The Accounts and Audit Regulations 2011 require that the responsible financial officer must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts.
- 8.3 An advertisement was placed in local newspapers and on the Council's website on 19 June informing electors of their rights to inspect the accounts between 13 July and 7 August and to question the auditor about those accounts from 10 August until the conclusion of the Audit.
- 8.4 The Regulations also require that members approve the audited accounts by no later than 30 September. Consequently, meetings have been set up for 22 and 23 September for the Finance and Audit Scrutiny Committee and Council, respectively, to meet their responsibilities.
- 8.5 Although not required by the regulations, this report provides members of the Finance and Audit Scrutiny Committee the opportunity to see the pre-audit Statements.

9. STATEMENT OF ACCOUNTS

- 9.1 The Statement of Accounts (see Appendix A) has been prepared using principles and practices of accounting which 'presents a true and fair view' of the financial position and transactions of the Council. 'Proper accounting practices' are deemed to be those specified in CIPFA's "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15" ("the Code") which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 9.2 As a consequence of the above, the Statements are required to be shown in a format which more closely follows that used to produce commercial accounts.
- 9.3 The Statements are required to include any known changes up to the audit date. Since the Final Accounts Report to the Executive in June the Council has received formal valuations of its assets from the District Valuer which has resulted in a net impairments of £283,000 in respect of General Fund assets (predominantly for Bowling Facilities £261,000) and a reversal of past impairments of HRA assets totalling £16.4m. Consequently, these changes have been incorporated into the Statement of Accounts.
- 9.4 The Statement of Accounts comprises four primary statements plus two supplementary statements that reflect specific activities of a shire district council – the Housing Revenue Account and the Collection Fund. Appendix 'C' provides a guide to the Council's primary statements.

- 9.5 The first primary statement is the Movement in Reserves Statement (page 10). This shows the movement in the year on the different reserves held by the Council and analyses them into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (i.e. 'unusable reserves'). The statement shows the true economic cost of providing the Council's services, the statutory adjustments required for tax and rent setting and the use of any earmarked reserves.
- 9.6 The second primary statement is the Comprehensive Income and Expenditure Statement (page 11). This is a more detailed analysis of the true economic cost of providing services referred to above. Although it would appear that the Council is operating at a large surplus, this is mainly due to the HRA impairments reversal (-£16.4m) and the new accounting regime operating in the wake of HRA Self Financing in 2011/12, whereby the Council is putting aside resources to build more homes.
- 9.7 The Balance Sheet (page 12) is a relatively simple statement with the details now being provided in the notes.
- 9.8 Similarly, the Cash Flow Statement (page 13) is a more abridged version with the notes providing the details. The IFRS Cash Flow statement includes both cash and cash equivalents i.e. non-cash items that can be quickly liquidated, such as short term investments.
- 9.9 These accounts will be audited during August and September. The Statements and notes will be adjusted by any material items found during the audit and the responsible financial officer will recertify them prior to them being presented to this Committee again and to Council for formal adoption. The deadline for this is 30 September and, accordingly, new meetings have been arranged for 22 and 23 September for this committee and Council, respectively, in order that this deadline can be achieved.

10. ANNUAL GOVERNANCE STATEMENT

- 10.1 The Accounts and Audit (England) Regulations 2011 require local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and include a statement on internal control in any Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.
- 10.2 Following various reviews a new Framework has been put in place which recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
- 10.3 To support the conclusions in the Annual Governance Statement, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them.
- 10.4 The Annual Governance Statement, containing the findings of the review, is appended to the Statement of Accounts. The format, and part of the wording, is based on a pro forma suggested by CIPFA and SOLACE (Society of Local Authority Chief Executives).
- 10.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form a series of actions to

take. The progress on the actions coming out of the Annual Governance Statement is regularly monitored by the Senior Management Team.

- 10.6 The Annual Governance Statement was approved by this Committee at its meeting on 10 June 2015.

WARWICK DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2014/15 and
ANNUAL GOVERNANCE STATEMENT
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FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

The Council is facing financial challenges as the Central Government support continues to reduce into the medium term. To date, the Council has managed to contain these reductions whilst continuing to maintain and improve key services. Whilst some income streams have been depressed in recent years, others, for example car parking and planning fees have seen improvements in the last couple of years with the local and national economies improving. Further reductions in Government financial support are forecast for subsequent years, with the Council providing for this in its Medium Term Financial Strategy and actively working to identify and achieve further efficiencies which will not impact on Services. With the continuing financial uncertainty, it is important that the Council maintains adequate reserves.

Despite these challenges, the Council finished the year in a more favourable position than expected, and is able to allocate £0.8m more to reserves and specific budgets than planned for when the budget was set for the year. This reflects the many savings that were made throughout the year and the additional income as referred to earlier. The Council has been in the enviable position of not having to cut services whilst freezing its element of the council tax.

Expenditure on capital projects totalled £10.2m, £8.1m being on Housing schemes, and £2.1m on other projects. Spending on some major projects was deferred until 2015/16. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations.

At 31 March 2015, the Council held £2.1m in the General Fund Balance, £1.4m in the HRA Balance and £38.7m in earmarked reserves of which £21.7m is in respect of the Housing Revenue Account.

2014/15 was the second year of the Business Retention Scheme, whereby all local authorities get to keep a proportion of the business rates that they collect. This is intended to provide an incentive for councils to grow their business base, create employment, and encourage the local economy. Whilst there have been increases in the business rate base locally throughout 2014/15, this has been undermined by the large number and value of business rates appeals, many of which are still to be determined. Accordingly, it is necessary for a prudent approach to be taken in considering the future levels of retained business rates.

Following "Self Financing" in respect of the Housing Revenue Account (HRA) and the Council having to take on debt of £136.2m in 2012, the Business Plan for the HRA has continued to be monitored. Despite having to manage this substantial debt in respect of the HRA, the Council has also been able to set aside money to be used towards the provision of additional council housing within the District.

Looking forward, there continues to be concern as to how the limited public sector finances will impact upon the Council, notably with the further reductions expected in Government Grant. It is expected that the new Government will provide clarification over the future levels of funding for local authorities in the forthcoming months. As part of its agreed Fit For the Future programme, the Council is developing plans to ensure that its financial position is sustainable despite the income reduction by continuing to seek efficiencies. There are no plans to cut services. The Council is in a strong financial position thanks to its level of reserves. This has enabled it to make the savings necessary without reducing mainstream services.

Mike Snow, C.P.F.A.
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GUIDE TO THE FINANCIAL STATEMENTS

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

Page 9 Statement of Responsibilities

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

Page 12 Movement in Reserves Statement

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

Page 11 Comprehensive Income and Expenditure Statement

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

Page 12 Balance Sheet

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

Page 13 Cash Flow Statement

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

Page 77 Housing Revenue Account (HRA) Income and Expenditure Statement

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

Page 78 Movement on the Housing Revenue Account Statement

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

Page 84 Major Repairs Reserve

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

Page 85 Collection Fund

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

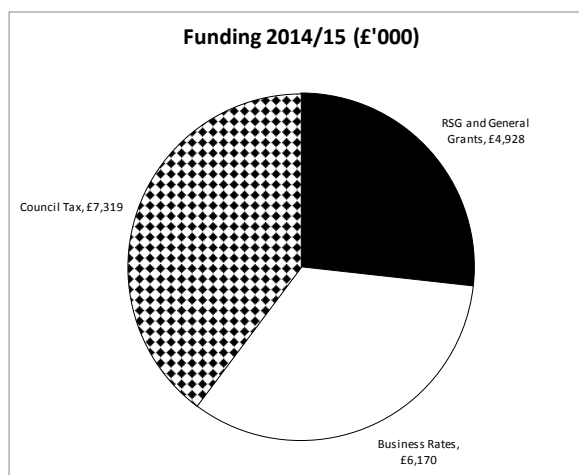
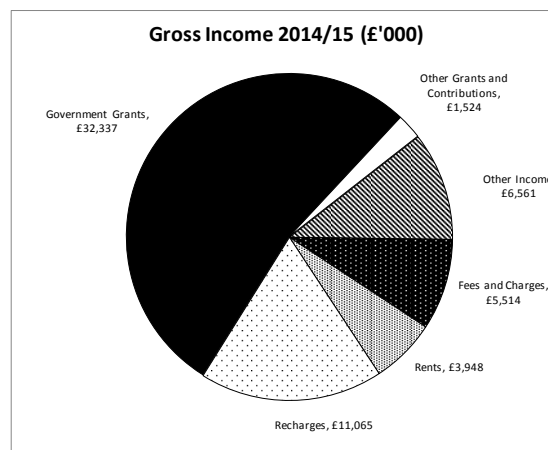
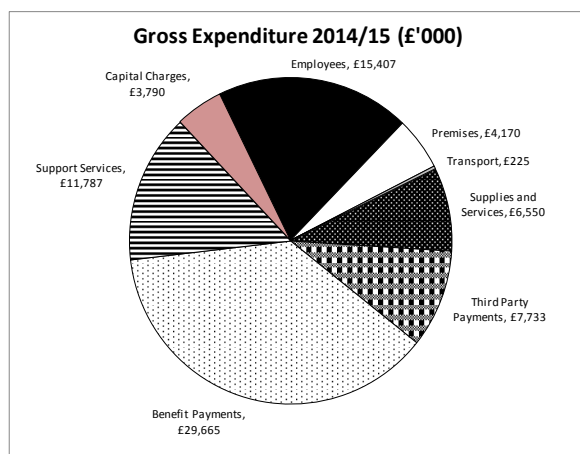
Where appropriate, comparative figures for the previous financial year are given. For specific items detailed notes are provided giving further information.

EXPLANATORY FOREWORD

1. General Fund Summary

The General Fund encompasses all of the services the Council provides with the exception of the Housing Revenue Account (Council Housing), which has its own self-contained account. In February 2014 the Council approved a total net expenditure budget for 2014/15 of £16.0m and set a band D council tax for the district of £146.86, which is the same as it has been over past five years.

Gross expenditure amounted to £79.3m, gross service income generated was £60.9m which resulted in £18.4m net expenditure to be financed from general Government grants, business rates and Council Tax.



The following table shows how the actual net expenditure compared to the original budgets by Portfolio holder:

EXPLANATORY FOREWORD

<u>General Fund Net Service Expenditure</u>	Original £'000	Actual £'000	Variation £'000
Culture Portfolio	3,266	4,039	773
Development Portfolio	1,947	2,115	168
Finance Portfolio	2,927	1,844	(1,083)
Health and Community Protection Portfolio	2,419	2,301	(118)
Housing and Property Portfolio	2,047	2,193	146
Neighbourhood Portfolio	5,050	4,424	(626)
Strategic Leadership Portfolio	1,327	1,462	135
TOTAL GENERAL FUND NET EXPENDITURE	18,983	18,378	(605)
Funding Adjustments	(2,939)	(420)	2,519
NET EXPENDITURE FOR DISTRICT PURPOSES	16,044	17,958	1,914
Less Council Tax, Business Rates, General Revenue Grants and Collection Fund Deficit	(16,044)	(18,559)	(2,515)
(SURPLUS) / DEFICIT FOR YEAR	-	(601)	(601)

The key points regarding financial performance in 2014/15 are:

- Business Rates Retention was understated by £2.5m. This "surplus" has been transferred to the Business Rate Volubility Reserve to offset the Collection Fund deficit.

Other major items are:

- Increased Car Parking income -£237,000;
- Reduced net costs of Benefits payments -£222,000;
- Crematorium income- delay in temporary closure -£150,000;
- Various contingency budgets not utilised -£90,000;
- Increased bad debts provision for Housing Benefits +£95,000.

2. **Housing Revenue Account**

In February 2014, the Council approved a total net surplus budget on Council Housing for 2014/15 of £39,700.

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

<u>Housing Revenue Account</u>	Original £'000	Actual £'000	Variation £'000
Expenditure	13,192	(1,669)	(14,861)
Income	(26,870)	(27,456)	(586)
Net Cost of HRA Services	(13,678)	(29,125)	(15,447)
Financing and other adjustments	13,638	29,125	15,487
(SURPLUS) / DEFICIT FOR YEAR	(40)	-	40

EXPLANATORY FOREWORD

As a result of the valuation exercise carried out by the District Valuer at 01/04/2015 Impairments, totalling £16.351m which had been charged to the HRA in previous financial years were reversed out. This reflects an improvement in house prices within the economy in general during the last financial year.

There is no subsidy from council tax payers to Council Housing. These costs of the service are met entirely from rents (£26.0m) and other income and charges (£1.4m). See pages 77 to 84 for more details.

3. **Balance Sheet**

The Balance Sheet reflects the current value of the Council's Property, Plant and Equipment which together with its Heritage and Investment Properties totals £347m. The Council is no longer debt-free following the advent of the Housing self-financing regime which saw the Council take on £136.2m of debt to buy itself out of the Housing Subsidy regime.

During 2014/15 net current assets increased by £11.7m from £37.7m to £49.4m. The main items being increases in cash and equivalents (+£4.6m), short term investments (+£5.1m) less decreases in short term creditors (+£2.9m), provisions (-£0.5m) and Assets Held for Sale (-£0.4m).

A total of £38.7m is held in earmarked reserves. Of this total, £21.6m is held for housing improvement, £4.7m is for future other capital investment and the remaining £12.4m is for specific revenue items. A full list of these reserves can be found in Note 7 to the Accounts.

4. **Collection Fund**

The Collection Fund represents all the transactions on the collection and distribution of monies in respect of Council Tax and Business Rates.

During 2014/15 £77.3m (£74.6m in 2013/14) of Council Tax was received. The precepts and demands on the Collection Fund were: Warwickshire County Council (£58.7m), Warwick District Council (£8.5m of which £1.2m relates to Town and Parish Council precepts) and the Office of the Warwickshire Police and Crime Commissioner (£9.2m). A deficit of £693,000 for the year reduced the opening surplus balance of £1,194,000 on the Fund to a closing surplus balance of £501,000. This surplus will be redistributed to the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (48.2p for 2014/15) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £66.4m of Business Rates was collected during 2014/15 (£67.4m in 2013/14). This income is distributed between the Council (40%), Central Government (50%) and Warwickshire County Council (10%).

Details of the transactions on the Collection Fund can be found on pages 85 to 89.

EXPLANATORY FOREWORD

6. **Capital Expenditure**

Capital investment of £10.2m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£4.2 million
- New Build Housing	£2.9 million
- Cemetery & Crematorium Improvements	£0.6 million
- New Build Housing and Registered Providers	£0.5 million
- Leisure and Culture Facilities	£0.4 million
- Flood Alleviation Schemes	£0.4 million
- Private Sector Renewal and Disabled Facilities Grants	£0.4 million

Net capital expenditure was financed from the Council's internal resources - usable capital receipts (£1.3m), reserves (£6.5m) and revenue (£0.2m) – and Government Grants and other contributions (£2.2m).

During the year the Council sold 27 council houses under the “Right to Buy” legislation.

7. **Treasury Management**

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

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

8. **Pension Costs**

Pension costs are included in the accounts to meet the requirements of IAS 19 which requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

As at 31 March 2015 this Council's pension fund liability is £45.4m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2006/07 to 2014/15 the Council's contribution rate has increased. From 2014/15 the pension fund's actuary requires contributions to be split between current pension costs (a smaller percentage rate on current salaries) plus a lump sum adjustment for past service costs to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in Note 36 in the Notes to the Accounts.

EXPLANATORY FOREWORD

10. **Impact of Economic Climate**

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero. Market expectations for the first increase receded back to around quarter 3 of 2016 which formed the basis of the Council's projections for its future investment income.

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 this Council, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Statement of Accounts approved at the Council meeting on 23 September 2015

Chair of the Council Meeting
Councillor

The Chief Financial Officer's Responsibilities

The Chief Financial Officer 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 Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Chief Financial Officer has also:

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

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2015 and its income and expenditure in the year ended 31 March 2015.

30 June 2015

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

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2013	1,535	12,452	1,283	13,001	4,457	-	1,038	33,766	140,550	174,316
Movement in reserves during 2013/14										
Surplus or (Deficit) on provision of services (accounting basis)	(2,822)	-	27,131	-	-	-	-	24,309	-	24,309
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	3,883	3,883
Total Comprehensive Income and Expenditure	(2,822)	-	27,131	-	-	-	-	24,309	3,883	28,192
Adjustments between accounting basis and funding basis under regulations (Note 6)	4,815	-	(22,301)	-	1,194	764	824	(14,704)	14,704	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	1,993	-	4,830	-	1,194	764	824	9,605	18,587	28,192
Transfers to / (from) Earmarked Reserves (Note 7)	(2,026)	2,026	(4,790)	4,790	-	-	-	-	-	-
Increase / (Decrease) in 2013/14	(33)	2,026	40	4,790	1,194	764	824	9,605	18,587	28,192
Balance at 31 March 2014 carried forward	1,502	14,478	1,323	17,791	5,651	764	1,862	43,371	159,137	202,508
Movement in reserves during 2014/15										
Surplus or (Deficit) on provision of services (accounting basis)	(3,877)	-	22,746	-	-	-	-	18,869	-	18,869
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(7,798)	(7,798)
Total Comprehensive Income and Expenditure	(3,877)	-	22,746	-	-	-	-	18,869	(7,798)	11,071
Adjustments between accounting basis and funding basis under regulations (Note 6)	6,987	-	(18,829)	-	(67)	1,835	(795)	(10,869)	10,869	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	3,110	-	3,917	-	(67)	1,835	(795)	8,000	3,071	11,071
Transfers to / (from) Earmarked Reserves (Note 7)	(2,508)	2,508	(3,887)	3,887	-	-	-	-	-	-
Increase / (Decrease) in Year	602	2,508	30	3,887	(67)	1,835	(795)	8,000	3,071	11,071
Balance at 31 March 2015 carried forward	2,104	16,986	1,353	21,678	5,584	2,599	1,067	51,371	162,208	213,579

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Gross Expenditure 2013/14 £000	Gross Income 2013/14 £000	Net Expenditure 2013/14 £000		Notes	Gross Expenditure 2014/15 £000	Gross Income 2014/15 £000	Net Expenditure 2014/15 £000
2,470	(1,347)	1,123	Central Services to the Public		2,035	(1,167)	868
9,525	(3,644)	5,881	Cultural and Related Services		10,161	(3,728)	6,433
7,747	(2,565)	5,182	Environmental and Regulatory Services		7,700	(2,583)	5,117
4,821	(2,005)	2,816	Planning Services		5,011	(1,997)	3,014
2,461	(2,994)	(533)	Highways and Transport Services		2,670	(3,137)	(467)
12,848	(26,770)	(13,922)	Local Authority Housing (HRA)		14,743	(27,533)	(12,790)
(16,500)	-	(16,500)	Local Authority Housing (HRA) - Impairment charges / reversals		(16,351)	-	(16,351)
34,009	(32,307)	1,702	Other Housing Services		33,527	(31,830)	1,697
1,667	(7)	1,660	Corporate and Democratic Core		1,761	(17)	1,744
520	-	520	Non-Distributed Costs		207	-	207
59,568	(71,639)	(12,071)	Cost of Services - continuing operations		61,464	(71,992)	(10,528)
1,904	(1,581)	323	Other Operating Income and Expenditure	8	3,786	-	3,786
7,990	(951)	7,039	Financing and Investment Income and Expenditure	9	7,113	(995)	6,118
-	(19,600)	(19,600)	Taxation and Non-Specific Grant Income and Expenditure	10	-	(18,245)	(18,245)
		(24,309)	(Surplus) or Deficit on Provision of Services				(18,869)
			Other Comprehensive Income and Expenditure:				
	(514)		(Surplus) or Deficit on revaluation of Property, Plant and Equipment assets	22			(1,978)
	(11)		Surplus or deficit on revaluation of available for sale financial assets	22			(65)
	(3,358)		Actuarial (gains) / losses on pension assets / liabilities	22			9,841
		(3,883)	Other Comprehensive Income and Expenditure				7,798
		(28,192)	Total Comprehensive Income and Expenditure				(11,071)

BALANCE SHEET

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

31 March 2014 £000		Notes	31 March 2015 £000
	Operational Assets:		
311,147	Property, Plant and Equipment	11	330,214
8,981	Heritage Assets	12	7,919
9,535	Investment Properties	13	8,942
58	Intangible Assets	14	49
7,026	Long Term Investments	15	1
311	Long Term Debtors	15	867
337,058	LONG TERM ASSETS		347,992
27,104	Short Term Investments	15	32,226
748	Assets Held for Sale	16	363
44	Inventories		39
3,401	Short Term Debtors	17	3,394
18,686	Cash and Cash Equivalents	18	23,314
49,983	CURRENT ASSETS		59,336
(10,364)	Short Term Creditors	19	(7,488)
(1,964)	Provision Liabilities payable in less than 1 year	20	(2,473)
(12,328)	CURRENT LIABILITIES		(9,961)
(1,354)	Provision Liabilities payable in more than 1 year	20	(1,729)
(136,209)	Long Term Borrowing	15	(136,209)
(76)	Other Long Term Liabilities	15	(45)
(915)	Capital External Grants/Contributions in Advance	31	(374)
(33,651)	Net Pensions Liability	36	(45,431)
(172,205)	LONG TERM LIABILITIES		(183,788)
202,508	NET ASSETS		213,579
43,371	Usable Reserves	21	51,371
159,137	Unusable Reserves	22	162,208
202,508	TOTAL RESERVES		213,579

CASH FLOW STATEMENT

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

2013/14 £000		Notes	2014/15 £000
(24,309)	Net (Surplus) or deficit on the provision of services		(18,869)
1,226	Adjust net (surplus) or deficit on the provision of services for noncash movements	23	5,469
6,184	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23	3,243
(16,899)	Net cash flows from Operating Activities		(10,157)
11,465	Investing Activities	24	5,005
(214)	Financing Activities	25	524
(5,648)	Net (increase) or decrease in cash and cash equivalents		(4,628)
(13,038)	Cash and cash equivalents at the beginning of the reporting period		(18,686)
(18,686)	Cash and cash equivalents at the end of the reporting period		(23,314)

NOTES TO THE ACCOUNTS

1. **ACCOUNTING POLICIES**

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

b. Accruals of Income and Expenditure

Revenue and capital transactions are accounted for on an accruals basis. This means that all 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.

Money owed to the Council at 31 March is included as Debtors. Money owed by the Council at 31 March is included as Creditors.

c. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, on demand deposits and short-term investments which are readily convertible to cash.

d. Prior Period Adjustments and Changes in Accounting Policies

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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

e. 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

NOTES TO THE ACCOUNTS

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 by the contribution in the General Fund Balance minimum revenue provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f. Employee Benefits

Benefits Payable During Employment

The accounts reflect an accrual for accumulating short-term absences, that is annual leave and flexi-time carry forward at 31 March. The charge is made to service accounts in the Comprehensive Income and Expenditure Statement and a short-term creditor created on the Balance Sheet.

The impact of this on the Comprehensive Income and Expenditure Statement is reversed out of the service expenditure to the Accumulated Absences Adjustment Account in the Unusable Reserves on the Balance Sheet.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

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

Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme – the liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis and the assets of the fund attributable to the Council are included in the Balance Sheet at their fair value.

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment and funding benefits in accordance with statutory provisions. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources

NOTES TO THE ACCOUNTS

available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as the Council makes employer's contributions to the Pension Fund or pays any pension for which it is directly responsible.

The Council has agreed a strategy with the Pension Fund's Actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The last valuation took place on 31 March 2013, with new arrangements effective from 1 April 2014. The next triennial valuation is due to be completed on 31 March 2016.

The Pension Fund has changed from a final salary scheme to an average salary scheme with effect from 1 April 2014 in line with the Public Pensions Services Act 2013.

Discretionary Benefits

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

g. Events After the Reporting Period

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

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

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

h. Exceptional Items

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

NOTES TO THE ACCOUNTS

i. Financial Instruments

Financial instruments are contracts that give rise to a financial asset or financial liability and these are represented by loans and receivables, long-term debtors and creditors, and are carried in the Balance Sheet at amortised cost.

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

The Council took out £136.157m in PWLB fixed interest rate long term loans with varying maturities of between 41 and 50 years on the 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 fair value of these PWLB loans at 31st March is £186,540,133 as the interest rates on 31st March were lower than those in force when the loans were taken out.

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

Any loans made by the Council at less than market rates are called "soft loans". When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the recipient, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of the amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. It has been determined that the few "soft" loans that the Council has 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.

j. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting

NOTES TO THE ACCOUNTS

gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no such gains or losses at 31st March 2015.

k. 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 as capital grants and contributions 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.

l. Heritage Assets

All the Council's heritage assets are held due to their cultural, environmental or historical associations making their preservation for future generations important. The majority of these assets are held at the Art Gallery and Museum within the Royal Pump Room, Royal Leamington Spa. The Council also holds a number of other assets including art works and ceramics.

Where the Council has information on the cost or value of heritage assets, these assets are recognised on the Balance Sheet.

Except for those items of low value where an internally agreed nominal value of £50 is applied, Heritage Assets are recognised and measured at valuations made by an external valuer. The last such valuation having been carried out in September 2014 by Tim Ritchie and Associates Ltd.

m. Intangible Assets

Intangible Assets refers to expenditure above the capital de-minimis limit of £20,000 on non-monetary assets that do not have physical substance but are controlled by the Council, e.g. software licences.

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

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

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

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

n. Inventories and long-term contracts

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

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

o. 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. Properties are not depreciated but, using the latest rental values applicable to each property, are revalued regularly in accordance with the Council's revaluation policies and are tested annually for impairments in value. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received 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.

p. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled

NOTES TO THE ACCOUNTS

assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

q. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. 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 has two arrangements of this nature as a depot has been leased by a contractor specifically to carry out repairs contracts relating to the Council's housing stock and in another instance a contractor employs a number of vans specifically on a WDC heating contract. These "embedded leases" have been assessed as operating leases and accounted for accordingly.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the start of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease. 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.

r. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Accounting Code of Practice 2014/15* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

NOTES TO THE ACCOUNTS

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

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

s. 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

In 2014/15 the Council had a de-minimis limit of £20,000 in relation to capital expenditure on land and buildings and a de-minimis limit of £5,000 on plant or equipment. Expenditure above these limits 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 below the de-minimis limit or that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

Measurement

Assets are initially measured at cost, comprising

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

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

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

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

- Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2014/15 which have not been the subject of a valuation are included at historical cost.
- Non-operational assets, including investment property, have been valued at open market value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. The adoption of FRS 30 "Heritage Assets" gave the Council the option to either continue to carry its Community Assets at

NOTES TO THE ACCOUNTS

historic cost or to have them valued on the same basis as Heritage Assets. The Council continues to record its Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and for the time being Infrastructure Assets (e.g. Flood Alleviation Works) at historical cost.

- The 2016/17 Accounting Code of Practice will require a change in accounting policy in that the basis on which Infrastructure Assets are measured will change from historic cost to depreciated replacement cost (DRC). The Council's infrastructure assets comprise mainly flood alleviation works, cycleways and rural streetlighting but work will be needed during 2015/16 to identify any additional assets not currently recognised in the balance sheet due to their having no historic cost . It will be necessary for all infrastructure assets to be valued on a DRC basis during 2015/16. Infrastructure Assets within the 2015/16 statement of accounts will be based on the current i.e. historic cost basis but it will then be necessary for the 1st April 2015 balance sheet and ultimately the 2015/16 statement of accounts to be restated to take account of this change and any material impact between historic cost derived depreciation and DRC based depreciation. The 2015/16 accounts will then form the comparator year for the 2016/17 accounts.
- General Fund property values in the Balance Sheet are based on 31st March 2009, 1st April 2009, 1 April 2010, 31st March 2011, 1st April 2011, 31st March 2012, 1st April 2012, 31st March 2013, 1st April 2013, 1st April 2014, 31st March 2015 04 1st April 2015 valuations with the exception of properties acquired during 2014/15 which have been valued as at the date of acquisition or the date on which they became operational. Where appropriate, the values have been updated, for capital expenditure, sales, impairments and depreciation in 2014/15 to provide the value at 31st March 2015 as shown in the Balance Sheet. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency. For Housing Revenue Account properties (excluding some land which is valued at 1st April 2010) the valuation is based upon the valuation at 1st April 2015 provided by the District Valuer.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. During 2014/15, such charges were debited to the Comprehensive Income and Expenditure in respect of various properties notably Victoria Park Bowls Pavilion (£0.260m) and Riverside House (£0.53m).

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are

NOTES TO THE ACCOUNTS

estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

The Council's housing stock is valued annually on an Existing Use – Social Housing (EUV-SH) basis which is defined as the value that a property, if sold, would sell for assuming that it continued to be used for social housing purposes. It is derived from the open market value discounted down by a regional adjustment factor, defined by DCLG, which for the West Midlands is 34% i.e. the EUV-SH value is 34% of the open market value. The adjustment factor reflects the fact that sitting tenants enjoy rents lower than open market rents and tenants' rights including Right to Buy. However, such revaluation changes are not to impact on the "bottom line" of the HRA and have been reversed out and debited to the Capital Adjustments Account.

Depreciation

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

Depreciation is calculated on the following bases:

Asset Type	Depreciation Method	Period of Years
General Fund Buildings	Straight Line	4 to 60 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Heritage Assets – Buildings	Straight Line	Up to 90 years
Surplus Assets	Straight Line	3 to 23 years
Vehicles, Plant, Furniture and Equipment	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	27 to 60 years
HRA Garages	Straight Line	5 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.

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

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

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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value i.e. market value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. In respect of the HRA, those council houses in the process of being sold at 31st March 2015 have been transferred to the HRA Assets Held For sale account.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off

NOTES TO THE ACCOUNTS

against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of the £10,000 capital receipts de-minimis limit are categorised as capital receipts. Under the Self Financing regime receipts relating to housing disposals are shared between the Council and Government. The Council is allowed to reduce the initial receipt by its transaction costs, a contribution towards the debt attributable to the property sold, an element which can be used to finance capital expenditure for any purpose including the repayment of debt and finally by an element which has to be reserved for Housing new build only. The subsequent balance is then paid over to the 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. Usable Capital Receipts at 31 March 2015 amounted to £5,584,300. Interest on usable capital receipts held during the year is credited to the General Fund with a share going to the Housing Revenue Account in respect of receipts reserved for new build only.

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.

t. Provisions and Contingent Liabilities

Provisions

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

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

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

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

Contingent Liabilities

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

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

u. Reserves

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

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

v. Revenue Expenditure Funded From Capital Under Statute

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

w. 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.

x. Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974 and 6 Certificate of Deposit investments which are valued on a mid-price basis at 31st March 2015.

y. Interest Charges

Interest is credited to the Housing Revenue Account in respect of its revenue, capital and reserve balances during the year. This is calculated using the actual external investment rate. All remaining interest income is credited to the General Fund Revenue Account.

z. Agency Income and Expenditure

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

The collection of council tax and Business Rates is treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances

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of arrears, prepayments and bad debt provisions are apportioned out and only the Council's share is included in the Balance Sheet.

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

For 2014/15 the following accounting policy changes that need to be reported relate to:

IFRS13 Fair Value Measurement: This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

IFRIC21 Levies: This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of 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:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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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 £342k for every year that the useful lives had to be reduced.</p>
Provisions	The Council has made provisions for insurance cover in respect of outstanding claims from the public and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31 March 2015 where such excesses have been negotiated when agreeing premiums. A provision has also been established to cover the possible refund of personal search fees in respect of local land charges. Following the introduction of the retention of business rates scheme new provisions have been created to provide for the potential successful appeals against rateable values.	An increase over the forthcoming year of 10% in settlements would have the effect of adding £247,300 to the provisions needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The Pensions actuary will set the employer's pension contribution rates to ensure that pension liabilities are met.
Arrears	At 31 March 2015, the Council had a balance of arrears of Housing Rents, Council Tax and other sundry debtors for £3.96m. A review of the above	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.15m to be set aside

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suggested that an impairment of doubtful debts of 54.3% (£2.15m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. 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**

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. **Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve along with an adjustment to make the overall transfer for dwellings equal to the Major Repairs Allowance set out in the Self Financing determination. This reserve can be used to fund capital expenditure to help maintain or improve HRA assets, or repay HRA debt. Any

NOTES TO THE ACCOUNTS

balance on this account shows the amount not applied by year end that is available for future years.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES TO THE ACCOUNTS

2014/15	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,799)	(2,951)		-		5,750
Revaluation gains on Property Plant and Equipment	88	16,351				(16,439)
Movements in the market value of Investment Properties	(465)	-				465
Amortisation of intangible assets	(9)	-				9
Capital grants and contributions applied	1,422	-				(1,422)
Movement in revaluation and new Donated Assets	9					(9)
Revenue expenditure funded from capital under statute	(1,038)	(81)				1,119
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	(564)	(3,532)				4,096
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against General Fund and HRA balances	2,036	1,238				(3,274)
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	26	-			(28)	2
Application of grants to capital financing transferred to the Capital Adjustment Account	(823)	-			823	-

NOTES TO THE ACCOUNTS

2014/15	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(150)	1,954	(2,104)			300
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,315			(1,315)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(856)	-	856			
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	564	-				(564)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	6,023		(6,023)		
Use of the Major Repairs Reserve to finance new capital expenditure	-	-		4,188		(4,188)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-				-
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(3,675)	(324)				3,999
Employer's pensions contributions and direct payments to pensioners payable in the year	1,910	150				(2,060)

NOTES TO THE ACCOUNTS

2014/15	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,660)	-				2,660
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	1				2
Total Adjustments	(6,987)	18,829	67	(1,835)	795	(10,869)

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2013/14

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,413)	(2,147)		(444)		5,004
Revaluation losses on Property Plant and Equipment	-	17,114				(17,114)
Movements in the market value of Investment Properties	(1,319)	-				1,319
Amortisation of intangible assets	(41)	-				41
Capital grants and contributions applied	1,915	-				(1,915)
Movement in revaluation and new Donated Assets	173					(173)
Revenue expenditure funded from capital under statute	(1,117)	(56)				1,173
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	(450)	(1,543)				1,993
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against General Fund and HRA balances	982	484				(1,466)
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	873	-			(873)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(41)	-			49	(8)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	456	3,119	(3,575)			-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	1,599			(1,599)

NOTES TO THE ACCOUNTS

2013/14	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(782)	-	782			
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	5,495		(5,495)		
Use of the Major Repairs Reserve to finance new capital expenditure	-	-		5,175		(5,175)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	12				(12)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(3,836)	(391)				4,227
Employer's pensions contributions and direct payments to pensioners payable in the year	1,807	201				(2,008)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(998)	-				998
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(24)	13				11
Total Adjustments	(4,815)	22,301	(1,194)	(764)	(824)	(14,704)

NOTES TO THE ACCOUNTS

7. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2014/15.

	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
General Fund:							
Art Fund Reserve	53	-	5	58	-	6	64
Art Gallery Gift Reserve	57	-	-	57	-	-	57
Biodiversity Off Setting Reserve	-	-	2	2	(2)	-	-
Building Control Reserve	253	-	21	274	(25)	44	293
Business Rate Retention Volatility Res	-	-	842	842	(823)	3,383	3,402
Capital Investment Reserve	3,790	(340)	847	4,297	(1,251)	505	3,551
Car Parks Repairs & Maintenance Reserve	176	(2)	41	215	(18)	22	219
Community Forums Reserve	-	-	160	160	(24)	-	136
Corporate Assets Reserve	300	-	261	561	-	777	1,338
Earmarked Balances Reserve	529	(529)	488	488	(488)	639	639
Election Expenses	35	-	30	65	-	30	95
Energy Management	112	(19)	-	93	-	5	98
Enterprise Projects Reserve	-	-	-	-	-	21	21
Equipment Renewals Reserve	1,350	(118)	200	1,432	(976)	-	456
G M Commuted Sums	357	(54)	30	333	(51)	-	282
GF Early Retirements Reserve	16	(6)	200	210	(125)	-	85
Gym Equipment Replacement Reserve	93	-	30	123	(59)	30	94
ICT Replacement Reserve	-	-	-	-	(92)	1,121	1,029
Insurance Reserve	368	(46)	-	322	-	-	322
Local Plan Delivery Reserve	-	-	250	250	(13)	-	237
Planning Appeal Reserve	573	(368)	300	505	(321)	330	514
Public Amenity Reserve	394	(14)	298	678	(140)	300	838
Public Open Space Planning Gain Reserve	69	(23)	149	195	(4)	159	350
Rent Bond Scheme Reserve	22	-	-	22	-	-	22
Revenue Grants / Contributions Received in Advance	940	(118)	24	846	(174)	180	852
Right to Bid Reserve	5	-	7	12	-	8	20
Right to Challenge Reserve	8	-	9	17	-	9	26
Services Transformation Reserve	2,757	(1,124)	683	2,316	(414)	-	1,902
St Marys Lands/Forbes Estate Community	104	(60)	-	44	(44)	-	-
Tourism Reserve	91	(30)	-	61	(17)	-	44
TOTAL GENERAL FUND	12,452	(2,851)	4,877	14,478	(5,061)	7,569	16,986
HRA:							
HRA Capital Investment Reserve	12,913	(331)	5,149	17,731	(1,113)	4,941	21,559
HRA Early Retirements Reserve	78	(108)	80	50	(258)	317	109
HRA Rev Grants/Contribs In Advance Res	10	-	-	10	-	-	10
TOTAL HRA	13,001	(439)	5,229	17,791	(1,371)	5,258	21,678
TOTAL EARMARKED RESERVES	25,453	(3,290)	10,106	32,269	(6,432)	12,827	38,664

NOTES TO THE ACCOUNTS

The purpose of the significant earmarked reserves are:

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.

ICT Replacement Reserve : Used to finance a rolling programme of ICT equipment and software replacement and renewal.

Equipment Renewals Reserve: Used to finance a rolling programme of equipment and property replacement and renewal.

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.

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

8. Other Operating Income and Expenditure

Gross Expenditure 2013/14 £000	Gross Income 2013/14 £000	Net Expenditure 2013/14 £000		Gross Expenditure 2014/15 £000	Gross Income 2014/15 £000	Net Expenditure 2014/15 £000
1,122	-	1,122	Parish Council Precepts	1,208	-	1,208
782	-	782	Payments to Govt. Housing Capital Receipts Pool	854	-	854
-	(1,581)	(1,581)	Gain or loss on the disposal of non-current assets	1,724	-	1,724
1,904	(1,581)	323	Total	3,786	-	3,786

9. Financing and Investment Income and Expenditure

Gross Expenditure 2013/14 £000	Gross Income 2013/14 £000	Net Expenditure 2013/14 £000		Gross Expenditure 2014/15 £000	Gross Income 2014/15 £000	Net Expenditure 2014/15 £000
4,774	-	4,774	Interest Payable and similar charges	4,773	-	4,773
1,579	-	1,579	Net Interest on the net defined benefit liability	1,456	-	1,456
-	(381)	(381)	Interest receivable and similar income	-	(439)	(439)
1,637	(570)	1,067	Income and expenditure in relation to investment properties and changes in their fair value	884	(556)	328
7,990	(951)	7,039	Total	7,113	(995)	6,118

10. Taxation and Non Specific Grant Income and Expenditure

Gross Income 2013/14 £000		Gross Income 2014/15 £000
(8,362)	Council Tax income	(8,589)
(2,336)	Non-domestic rates income and expenditure	(2,833)
(6,293)	Non-ringfenced Government Grants	(5,684)
(2,609)	Capital Grants and Contributions	(1,139)
(19,600)	Total	(18,245)

NOTES TO THE ACCOUNTS

11. Property, Plant and Equipment

Movements on Balances

Movements in 2014/15

	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 2014	245,791	54,715	7,300	1,247	7,006	2,613	1,100	319,772
Additions	4,403	416	430	392	31	1,005	2,298	8,975
Revaluation increases / (decreases) recognised in the Revaluation Reserve	12	(9)	-	-	-	-	-	3
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	13,907	(569)	-	-	-	-	-	13,338
Derecognition - disposals	(1,132)	-	-	-	-	(2,243)	-	(3,375)
Assets reclassified (to) / from Other Accounts	(241)	278	-	667	-	-	(945)	(241)
At 31 March 2015	262,740	54,831	7,730	2,306	7,037	1,375	2,453	338,472
Accumulated Depreciation and Impairment								
At 1 April 2014	-	(2,855)	(5,087)	(163)	(290)	(230)	-	(8,625)
Depreciation charge for 2014/15	(2,444)	(2,230)	(555)	(32)	(47)	(100)	-	(5,408)
Depreciation written out to the Revaluation Reserve	12	3,012	-	-	-	15	-	3,039
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,432	304	-	-	-	-	-	2,736
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
At 31 March 2015	-	(1,769)	(5,642)	(195)	(337)	(315)	-	(8,258)
Net Book Value								
31 March 2015	262,740	53,062	2,088	2,111	6,700	1,060	2,453	330,214
31 March 2014	245,791	51,860	2,213	1,084	6,716	2,383	1,100	311,147

NOTES TO THE ACCOUNTS

Movements on Balances

Movements in 2013/14

	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 2013	229,001	54,682	7,047	1,016	6,830	515	262	299,353
Additions	5,309	441	253	231	176	210	1,063	7,683
Revaluation increases / (decreases) recognised in the Revaluation Reserve	12	70	-	-	-	-	-	82
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	14,955	-	-	-	-	-	-	14,955
Derecognition - disposals	(1,406)	-	-	-	-	(5)	-	(1,411)
Assets reclassified (to) / from Other Accounts	(2,080)	(478)	-	-	-	1,893	(225)	(890)
At 31 March 2014	245,791	54,715	7,300	1,247	7,006	2,613	1,100	319,772
Accumulated Depreciation and Impairment								
At 1 April 2013	-	(1,057)	(4,527)	(137)	(244)	(215)	-	(6,180)
Depreciation charge for 2013/14	(2,159)	(2,217)	(560)	(26)	(46)	(15)	-	(5,023)
Depreciation written out to the Revaluation Reserve	12	422	-	-	-	-	-	434
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,147	-	-	-	-	-	-	2,147
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(3)	-	-	-	-	-	(3)
At 31 March 2014	-	(2,855)	(5,087)	(163)	(290)	(230)	-	(8,625)
Net Book Value								
31 March 2014	245,791	51,860	2,213	1,084	6,716	2,383	1,100	311,147
31 March 2013	229,001	53,625	2,520	879	6,586	300	262	293,173

The Vehicles, Plant & Equipment Net Book Value at 31st March 2015 is split between owned assets of £2,044k and £44k Finance leased assets relating to photocopiers and a dog wardens van.

Capital Commitments and Planned Works

At 31 March 2015, the Council has entered into a number of contracts for construction or enhancement of Property, Plant and Equipment in 2015/16 and future years and further planned works budgeted to cost £24.9m. Similar commitments at 31 March 2014 were £16.2m. The major commitments are:

NOTES TO THE ACCOUNTS

	£000
General Fund:	
Crematorium Improvements	611
Fen End - City Deal	559
Bishops Tachbrook Community Centre	450
Urban and Rural Initiatives Programme	439
Play Area Improvement Programme	434
West Midlands Reserve & Cadet Force - new building	400
Jubilee House Phase 2	332
Housing Investment Programme:	
Housing New Build / Reprovision	14,446
Council House Improvements / Renewal	5,441
Private Sector Housing - Grants and Loans	764

Revaluations

The values of the Council Dwellings and Other HRA Property (shops, offices, community centres, garages, surgery and hostel) are based on valuations at 1 April 2015. In the case of land (excluding the land element of the Council Dwellings and Other HRA Property) the valuation date is 1st April 2010. The Council Dwellings and Other HRA Property in the Housing Revenue Account are subject to an annual "desktop" review with a full revaluation based on inspection of 'beacon' homes carried out for the 1 April 2010 valuation. The 2015 valuation was undertaken by Mr. K.Shirer MRICS, a senior surveyor within the Valuation Office Agency. During 2014/15 a further one fifth of the General Fund Property Assets was valued as at 1st April 2014 in what was the final year of a five year rolling programme which will provide more up to date Balance Sheet values than would occur with a wholesale revaluation once every five years. The valuations were undertaken by Mr. P.D. Chapman MRICS & Mr. K.Shirer MRICS for the District Valuer.

The current contract for the provision of the Council's General Fund and Housing Revenue Account property valuation requirements is in the process of being tendered for and the successful valuers will be carrying out a full revaluation during 2015/16.

The values at 31st March 2015 also take account of any depreciation, impairments and in year capital expenditure which has occurred since the last valuation took place for that specific asset.

The District Valuer (Mr. K.Shirer) has also undertaken a review of a representative selection of General Fund property assets in order to ascertain whether the carrying values of the General Fund property assets represent fair value at 31st March 2015 which is confirmed to be the case. The carrying values in the Balance Sheet for those assets in the representative sample have been updated to 31st March 2015 as a result of the review

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

NOTES TO THE ACCOUNTS

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, etc. £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	816	2,043	2,111	6,700	-	2,453	14,123
Valued at fair value as at:								
- 2014/15	262,740	40,447	-	-	-	880	-	304,067
- 2013/14	-	144	-	-	-	-	-	144
- 2012/13	-	461	-	-	-	-	-	461
- 2011/12	-	4,539	-	-	-	110	-	4,649
- 2010/11	-	5,793	-	-	-	-	-	5,793
- 2009/10	-	860	-	-	-	70	-	930
- 2008/09	-	3	-	-	-	-	-	3
Total Cost or Valuation	262,740	53,063	2,043	2,111	6,700	1,060	2,453	330,170

It should be noted that the total figure in the above table does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £44,000. This difference relates to the balance outstanding at 31 March 2015 on the Photocopiers and Dog Wardens Van Finance leases (see note 34) which is not included in the table above.

12. Heritage Assets

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

	Decorative Arts Collection £000	Visual Arts Collection £000	Other £000	Total Assets £000
Cost or Valuation				
1 April 2013	356	7,634	811	8,801
Additions	-	180	2	182
Revaluations	-	1	-	1
Depreciation	-	-	(3)	(3)
31 March 2014	356	7,815	810	8,981
Cost or Valuation				
1 April 2014	356	7,815	810	8,981
Additions	-	8	2	10
Revaluations	(26)	(1,159)	116	(1,069)
Depreciation	-	-	(3)	(3)
31 March 2015	330	6,664	925	7,919

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 have been 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.

NOTES TO THE ACCOUNTS

In the case of the Art Gallery and Museum's collections some articles have been 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. In the case of the Social History collection, new assets valued at £1,690 were acquired by donation and £250 'untraced' items in 2014/15. Also, £315 of Numismatics were donated.

The Abbey Fields Barn was valued by the District Valuer in 2011/12 at £252,000 on a depreciated replacement cost basis and depreciation has been applied to this asset from 2012/13 based on the remaining life in years determined by the District Valuer.

Heritage Assets: Five-Year Summary of Transactions

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Cost of Additions of Heritage Assets:					
Donations:					
Visual Arts	-	-	-	-	8
Social History etc.	-	-	-	-	2
Total cost of Additions	-	-	-	-	10
Revaluation of Heritage Assets:					
Decorative Arts	-	-	-	-	(26)
Visual Arts	-	-	24	1	(1,159)
Social History etc.	-	-	-	-	116
Total Revaluations	-	-	24	1	(1,069)

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

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

Heritage Assets of Particular Importance

In the Art Collection there are 6 significant exhibits of donated assets. These paintings are, "St Peters Penitence" by P. Champaigne valued at £300,000, "The Prodigal Son" by Abraham Bloemaert valued at £200,000, "The Mission Room" by L.S. Lowry valued at £700,000, 'Tulips' by Leslie George Hunter valued at £500,000, 'Cookham Rise' by Sir Stanley Spencer valued at £250,000 and finally 'The Critics' by Henry Scott Tuke valued at £200,000. In addition, there is one other donated painting worth £110,000. In all cases, these donated assets have no conditions outstanding. Indeed, it is a condition of accepting donated assets that there are no conditions attached to the offer. Amongst the purchased exhibits there is a painting "Self Portrait By Candlelight" by Schalcken worth £200,000 and a sculpture by Catherine Long worth £270,000. Again, full details of these exhibits can be found by visiting the website referred to in the paragraph above.

Preservation and Management

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

NOTES TO THE ACCOUNTS

13. 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:

	2014/15 £000	2013/14 £000
Rental income from investment property	556	569
Direct operating expenses arising from investment property	(419)	(317)
Net gain / (loss)	137	252

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

A significant number of the Council's investment properties were revalued during 2013/14 and the remaining properties were revalued during 2014/15.

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

	2014/15 £000	2013/14 £000
Balance at start of the year	9,535	9,530
Additions:		
- Construction	-	1,103
- Subsequent expenditure	119	54
Disposals	(247)	(450)
Net gains / losses from fair value adjustments	(465)	(1,320)
Transfers:		
- To / from Property, Plant and Equipment	-	618
Balance at end of year	8,942	9,535

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. These properties generated rental income of £315,800 in 2014/15. Details of these properties are disclosed in Note 34 Leases.

14. Intangible Assets

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

Wherever appropriate, software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The remaining useful lives at 31st March 2015 assigned to the major software suites and licences used by the Council are:

NOTES TO THE ACCOUNTS

5 years	VDI Project Software	Amount Amortised	£962
2 years	e-Consultation Software	Amount Amortised	£1,244
0 years	Infrastructure Replacement Software	Amount Amortised	£7,153

The carrying amount of intangible assets is amortised on a straight-line basis but where the intangible asset has an indefinite life then the value of that asset is left on the balance sheet and not amortised to revenue.

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

	2014/15			2013/14		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Balance at start of year:			-			-
- Gross carrying amount	873	23	896	865	23	888
- Accumulated amortisation	(838)	-	(838)	(797)	-	(797)
Net carrying amount at start of year	35	23	58	68	23	91
Additions:						
- Purchases	-	-	-	8	-	8
Amortisation for the period	(9)	-	(9)	(41)	-	(41)
Net carrying amount at end of year	26	23	49	35	23	58
Comprising:						
- Gross carrying amount	873	23	896	873	23	896
- Accumulated amortisation	(847)	-	(847)	(838)	-	(838)
	26	23	49	35	23	58

NOTES TO THE ACCOUNTS

15. Financial Instruments

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

	Long Term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Investments:				
Loans and receivables	1	7,026	43,464	37,774
Available for sale financial assets	-	-	12,076	8,011
Total Investments	1	7,026	55,540	45,785
Debtors:				
Loans and receivables	867	311	4,728	5,105
Total Debtors	867	311	4,728	5,105
Borrowings:				
Financial Liabilities at amortised cost	(136,169)	(136,201)	(85)	(84)
Total Borrowings	(136,169)	(136,201)	(85)	(84)
Creditors:				
Financial Liabilities at amortised cost	-	-	(9,472)	(11,255)
Total Creditors	-	-	(9,472)	(11,255)

Income, Expense, Gains and Losses

	2014/15				2013/14 (RESTATED)			
	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	(4,773)	-	-	(4,773)	(4,774)	-	-	(4,774)
Total expense in Surplus or Deficit on the Provision of Services	(4,773)	-	-	(4,773)	(4,774)	-	-	(4,774)
Interest income	-	364	76	440	-	370	11	381
Total income in Surplus or Deficit on the Provision of Services	-	364	76	440	-	370	11	381
Net gain / (loss) for the year	(4,773)	364	76	(4,333)	(4,774)	370	11	(4,393)

NOTES TO THE ACCOUNTS

Fair Values of Assets and Liabilities

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

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

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

16. Assets Held for Sale

	Current	
	2014/15	2013/14
	£000	£000
Balance outstanding at start of year	748	614
Assets newly classified as held for sale:		
- Property, Plant and Equipment	242	272
Revaluation gains	121	476
Assets sold	(748)	(614)
Balance outstanding at year-end	363	748

At the end of 2014/15, it was expected that 10/14 Chapel Street Warwick would be sold in 2015/16. However, it should be noted that this property is an Investment Property and as such the code does not permit its transfer to Assets Held for Sale and it continues to be accounted for as an Investment Property within the balance sheet until the actual date of its disposal.

NOTES TO THE ACCOUNTS

17. Debtors

	31 March 2015 £000	31 March 2014 £000
Debtors:		
Central Government Bodies	1,086	501
Other Local Authorities	489	521
NHS Bodies	2	-
Public Corporations and Trading Funds	6	-
Other Entities and Individuals	3,961	4,676
TOTAL DEBTORS	5,544	5,698
Bad Debt Provisions:		
Council Tax Payers	(82)	(84)
Business Rate Payers	(200)	(300)
Housing Tenants	(914)	(1,095)
Housing Benefits - Rent Allowances	(822)	(677)
Other Debtors	(132)	(141)
TOTAL BAD DEBT PROVISIONS	(2,150)	(2,297)
NET SHORT TERM DEBTORS	3,394	3,401

18. Cash and Cash Equivalents

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

	31 March 2015 £000	31 March 2014 £000
Cash held by the Council	-	5
Bank current accounts	361	174
Short term deposits with Money Market Funds	22,953	18,507
Total Cash and Cash Equivalents	23,314	18,686

19. Creditors

	31 March 2015 £000	31 March 2014 £000
Central Government Bodies	1,063	2,837
Other Local Authorities	596	1,409
Other Entities and Individuals	5,829	6,118
TOTAL CREDITORS	7,488	10,364

NOTES TO THE ACCOUNTS

20. Provisions

	Land Charges £000	Subsistence Compensation £000	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
Provisions > 1 year:						
Balance at 1 April 2014	-	-	920	279	155	1,354
Additional provisions made in 2014/15	-	-	400	24	65	489
Amounts payable < 1 year transferred to short term creditors	-	-	-	(65)	(49)	(114)
Balance at 31 March 2015	-	-	1,320	238	171	1,729
Provisions < 1 year:						
Balance at 1 April 2014	200	-	1,702	28	34	1,964
Additional provisions made in 2014/15	-	117	2,700	-	-	2,817
Amounts used in 2014/15	(2)	-	(2,316)	(57)	(47)	(2,422)
Amounts payable < 1 year transferred from L/T Provision	-	-	-	65	49	114
Balance at 31 March 2015	198	117	2,086	36	36	2,473

Business Rates Appeals

The appeals are complex and can take several years to be decided. The total level of the provision for appeals is £8.5m. The Council's share is included in the above table. Further details can be found in the Collection Fund section of the accounts.

21. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 7 – Transfers to / from Earmarked Reserves.

31 March 2014 £000		31 March 2015 £000
1,502	General Fund Revenue Balance	2,104
1,323	Housing Revenue Account Balance	1,353
764	Major Repairs Reserve	2,599
5,651	Usable Capital Receipts Reserve	5,584
1,862	External Capital Grants / Contributions Unapplied	1,067
32,269	Earmarked Reserves	38,664
43,371	TOTAL USABLE RESERVES	51,371

NOTES TO THE ACCOUNTS

22. Unusable Reserves

31 March 2014 £000		31 March 2015 £000
15,598	Revaluation Reserve	17,044
224	Deferred Capital Receipts Reserve	788
11	Available For Sale Financial Instruments Reserve	76
178,256	Capital Adjustment Account	193,694
(13)	Financial Instruments Adjustment Account	(13)
(33,651)	Pensions Reserve	(45,431)
(1,008)	Collection Fund Adjustment Account	(3,668)
(280)	Accumulated Absences Account	(282)
159,137	TOTAL UNUSABLE RESERVES	162,208

Revaluation Reserve

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

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

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

2013/14 £000		2014/15 £000	£000
15,062	Balance at 1 April		15,598
538	Upward revaluation of assets	3,185	
(23)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(1,207)	
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,978
-	Recognition of Heritage Assets on Donation		1
21	Difference between fair value depreciation and historical cost depreciation	(533)	
21	Amount written off to the Capital Adjustment Account		(533)
15,598	Balance at 31 March		17,044

NOTES TO THE ACCOUNTS

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013/14 £000		2014/15 £000
224	Balance at 1 April	224
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	564
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
224	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 otherwise do not have fixed 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.

2013/14 £000		2014/15 £000	£000
-	Balance at 1 April		11
11	Upward revaluation of investments	76	
-	Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	(11)	
	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		65
11	Balance at 31 March		76

NOTES TO THE ACCOUNTS

Capital Adjustment Account

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

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. The Council acquired further donated Heritage Assets in 2014/15 and the gains recognised on these assets are also held in this account.

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

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

Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE ACCOUNTS

2013/14 £000		2014/15	
		£000	£000
160,359	Balance at 1 April (credit)		178,256
	Note: figures in brackets are debits		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
12,078	- Charges for depreciation and impairment of non-current assets	10,657	
477	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	121	
(41)	- Amortisation of intangible assets	(9)	
(1,172)	- Revenue expenditure funded from capital under statute	(1,118)	
(2,470)	- 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	(4,370)	
8,872			5,281
(21)	Difference between fair value depreciation and historical cost depreciation		533
8,851	Net written out amount of the cost of non-current assets consumed in the year		5,814
	Capital Financing applied in the year:		
1,599	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,166	
5,175	- Use of the Major Repairs Reserve to finance new capital expenditure	4,188	
1,915	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,753	
8	- Application of grants to capital financing from the Capital Grants Unapplied Account	490	
-	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-	
1,465	- Capital expenditure charged against the General Fund and HRA balances	2,451	
10,162			10,048
31	Minimum Revenue Provision		32
(1,320)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(465)
173	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		9
178,256	Balance at 31 March		193,694

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

2013/14 £000		2014/15 £000	£000
(25)	Balance at 1 April		(13)
12	Proportion of premiums incurred in previous financial years to be charged against the General Fund & HRA Balances in accordance with statutory requirements	-	
	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-
(13)	Balance at 31 March		(13)

Pensions Reserve

2013/14 £000		2014/15 £000
(34,790)	Balance at 1 April	(33,651)
3,358	Remeasurements of the net defined benefit liability	(9,841)
(4,227)	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	(3,999)
2,008	Employer's pensions contributions and direct payments to pensions payable in the year	2,060
(33,651)	Balance at 31 March	(45,431)

Collection Fund Adjustment Account

Council Tax 2013/14 £000	NNDR 2013/14 £000	Total 2013/14 £000		Council Tax 2014/15 £000	NNDR 2014/15 £000	Total 2014/15 £000
(11)	-	(11)	Balance at 1 April	135	(1,143)	(1,008)
146	(1,143)	(997)	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	(80)	(2,580)	(2,660)
135	(1,143)	(1,008)	Balance at 31 March	55	(3,723)	(3,668)

NOTES TO THE ACCOUNTS

Accumulated Absences Account

2013/14 £000		2014/15 £000	£000
(269)	Balance at 1 April		(280)
269	Settlement or cancellation of accrual made at the end of the preceding year	280	
(280)	Amounts accrued at the end of the current year	(282)	
(11)	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)
(280)	Balance at 31 March		(282)

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2013/14 £000		2014/15 £000
(378)	Interest received	(369)
4,770	Interest paid	4,771
4	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:

2013/14 £000		2014/15 £000
(5,023)	Depreciation	(5,411)
17,102	Impairment and revaluations in consolidated income and expenditure	16,068
(41)	Amortisation of intangible assets	(9)
(2,880)	(Increase) / decrease in creditors	2,137
685	Increase / (decrease) in debtors	(475)
(411)	(Increase) / decrease in provision for bad debt	147
-	Increase / (decrease) in inventories	(5)
(2,219)	Movement in pension liability	(1,939)
(1,993)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(3,532)
(3,994)	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,512)
1,226		5,469

NOTES TO THE ACCOUNTS

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

2013/14 £000		2014/15 £000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
3,575	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,104
2,609	Any other items for which the cash effects are investing or financing cash flows	1,139
<hr/>		<hr/>
6,184		3,243

24. Cash Flow Statement – Investing Activities

2013/14 £000		2014/15 £000
8,876	Purchase of property, plant and equipment, investment property and intangible assets	9,836
31,000	Purchase of short-term and long-term investments	21,000
-	Other payments for investing activities	-
(3,499)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(2,104)
(23,000)	Proceeds from the sale of short-term and long-term investments	(23,000)
(1,912)	Other receipts from investing activities	(727)
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11,465	Net cash flows from investing activities	5,005

25. Cash Flow Statement – Financing Activities

2013/14 £000		2014/15 £000
-	Cash receipts of short- and long-term borrowing	-
(1,291)	Other receipts from financing activities	492
31	Cash payments for the reduction of the outstanding liabilities relating to finance leases	32
-	Repayments of short- and long-term borrowing	-
1,046	Other payments for financing activities	-
<hr/>		<hr/>
(214)	Net cash flows from financing activities	524

NOTES TO THE ACCOUNTS

26. Amounts Reported for Resource Allocation Decisions

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

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

NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2014/15	CULTURE £000	DEVELOPMENT £000	FINANCE £000	HEALTH & COMMUNITY PROTECTION £000	HOUSING & PROPERTY G. FUND £000	NEIGHBOURHOOD £000	STRATEGIC LEADERSHIP £000	HOUSING REVENUE ACCOUNT £000	TOTAL £000
Government Grants	-	(68)	(30,956)	(40)	(312)	(917)	(44)	-	(32,337)
Other Grants and Contributions	(39)	(97)	(76)	(227)	(611)	(469)	(5)	(502)	(2,026)
Agency Services	-	-	-	-	-	(14)	-	-	(14)
Sales	(164)	(16)	-	(1)	-	(486)	(2)	-	(669)
Other Income	(10)	(96)	(22)	(64)	(11)	(5,381)	(294)	(193)	(6,071)
Fees and Charges	(2,936)	(1,598)	(441)	(379)	(52)	(67)	(41)	(802)	(6,316)
Rents	(278)	(779)	-	(15)	(144)	(2,732)	-	(26,036)	(29,984)
Recharges	(1,299)	(603)	(1,527)	(1,946)	(1,556)	-	(4,134)	(172)	(11,237)
Total Income	(4,726)	(3,257)	(33,022)	(2,672)	(2,686)	(10,066)	(4,520)	(27,705)	(88,654)
Employees	2,792	2,021	2,349	1,708	1,525	2,289	2,723	2,310	17,717
Premises	1,767	340	3	492	342	1,190	36	6,248	10,418
Transport	11	52	13	50	43	33	23	92	317
Supplies and Services	1,187	539	776	933	754	1,139	1,222	811	7,361
Third Party Payments	139	835	148	69	111	6,226	205	667	8,400
Transfer Payments	-	-	29,665	-	-	-	-	-	29,665
Support Services	1,763	1,510	1,852	1,384	1,147	2,478	1,653	1,854	13,641
Capital Financing Charges	1,106	75	60	337	957	1,135	120	(13,320)	(9,530)
Total Expenditure	8,765	5,372	34,866	4,973	4,879	14,490	5,982	(1,338)	77,989
Surplus or deficit on the provision of services	4,039	2,115	1,844	2,301	2,193	4,424	1,462	(29,043)	(10,665)

NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2013/14	COMMUNITY & CORPORATE				HEALTH & COMMUNITY	HOUSING & PROPERTY		STRATEGIC	HOUSING	
	SERVICES	CULTURE	DEVELOPMENT	FINANCE	PROTECTION	G. FUND	NEIGHBOURHOOD	LEADERSHIP	ACCOUNT	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Government Grants	(7)	-	(1)	(31,713)	(15)	(304)	-	-	-	(32,040)
Other Grants and Contributions	(15)	(19)	(50)	(8)	-	(635)	(261)	-	(11)	(999)
Contributions from other Authorities	(843)	-	-	(68)	(28)	-	(139)	-	-	(1,078)
Agency Reimbursements	-	-	-	-	-	-	(918)	-	-	(918)
Fees and Charges	(48)	(2,801)	(1,799)	(347)	(1,783)	(4)	(4,775)	-	(705)	(12,262)
Rents	-	(360)	(813)	-	(82)	(164)	(46)	-	(25,256)	(26,721)
Other Income	(61)	(175)	(114)	(26)	(138)	(20)	(456)	(237)	(296)	(1,523)
Recharges	(4,524)	(1,349)	(559)	(1,480)	(1,757)	(1,203)	(1,864)	(1,650)	(3,184)	(17,570)
Total Income	(5,498)	(4,704)	(3,336)	(33,642)	(3,803)	(2,330)	(8,459)	(1,887)	(29,452)	(93,111)
Employees	2,863	2,714	1,883	2,634	1,842	1,384	1,394	944	2,374	18,032
Premises	2	1,708	265	2	859	394	750	30	6,181	10,191
Transport	11	10	50	17	56	40	39	13	100	336
Supplies and Services	1,914	1,034	533	648	484	763	694	534	577	7,181
Third Party Payments	309	124	716	145	220	28	6,716	758	776	9,792
Transfer Payments	-	-	-	30,705	-	-	-	-	-	30,705
Support Services	985	1,725	1,486	1,983	1,343	705	2,755	849	3,586	15,417
Capital Financing Charges	248	818	176	66	276	982	1,033	2	(14,467)	(10,866)
Total Expenditure	6,332	8,133	5,109	36,200	5,080	4,296	13,381	3,130	(873)	80,788
Surplus or deficit on the provision of services	834	3,429	1,773	2,558	1,277	1,966	4,922	1,243	(30,325)	(12,323)

NOTES TO THE ACCOUNTS

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

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

	2014/15 £000	2013/14 £000
Net Expenditure in the HRA Analysis	(29,043)	(30,325)
HRA share of Corporate and Democratic Core and Non-Distributed costs included in the Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement	(98)	(97)
Cost of HRA Services in Comprehensive Income and Expenditure Statement	(29,141)	(30,422)

Reconciliation to Subjective Analysis

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

2014/15	PORTFOLIO ANALYSIS £000	SUPPORT SERVICES £000	INTERNAL RECHARGES £000	AGENCY WORK £000	INVESTMENT PROPERTIES £000	TOTAL £000
Government Grants	(32,337)	-	-	-	-	(32,337)
Other Grants and Contributions	(2,026)	471	-	-	23	(1,532)
Agency Services	(14)	-	-	469	-	455
Sales	(669)	-	-	-	-	(669)
Other Income	(6,071)	129	-	-	8	(5,934)
Fees and Charges	(6,316)	52	-	1,147	4	(5,113)
Rents	(29,984)	(10)	-	-	521	(29,473)
Recharges	(11,237)	10,791	3,178	-	-	2,732
Total Income	(88,654)	11,433	3,178	1,616	556	(71,871)
Employees	17,717	(6,438)	-	-	-	11,279
Premises	10,418	(582)	-	-	(146)	9,690
Transport	317	(81)	-	(4)	-	232
Supplies and Services	7,361	(1,470)	-	(52)	(2)	5,837
Third Party Payments	8,400	(398)	-	(1,147)	(108)	6,747
Transfer Payments	29,665	-	-	-	-	29,665
Support Services	13,641	(2,131)	(3,178)	(413)	(158)	7,761
Capital Financing Charges	(9,530)	(333)	-	-	(5)	(9,868)
Total Expenditure	77,989	(11,433)	(3,178)	(1,616)	(419)	61,343
Surplus or deficit on the provision of services	(10,665)	-	-	-	137	(10,528)

NOTES TO THE ACCOUNTS

2013/14 Comparative Figures	PORTFOLIO ANALYSIS £000	SUPPORT SERVICES £000	INTERNAL RECHARGES £000	AGENCY WORK £000	INVESTMENT PROPERTIES £000	TOTAL £000
Government Grants	(32,040)	7	-	-	-	(32,033)
Other Grants and Contributions	(999)	24	-	-	14	(961)
Contributions from other Authorities	(1,078)	741	-	-	-	(337)
Agency Reimbursements	(918)	-	-	918	-	-
Fees and Charges	(12,262)	18	-	2,002	-	(10,242)
Rents	(26,721)	84	-	-	547	(26,090)
Other Income	(1,523)	69	-	-	8	(1,446)
Recharges	(17,570)	11,755	5,285	-	-	(530)
Total Income	(93,111)	12,698	5,285	2,920	569	(71,639)
Employees	18,032	(6,563)	-	-	-	11,469
Premises	10,191	(787)	-	-	(78)	9,326
Transport	336	(84)	-	(14)	-	238
Supplies and Services	7,181	(1,658)	-	(80)	(7)	5,436
Third Party Payments	9,792	(1,141)	-	(2,004)	(83)	6,564
Transfer Payments	30,705	-	-	-	-	30,705
Support Services	15,417	(2,137)	(5,285)	(822)	(144)	7,029
Capital Financing Charges	(10,866)	(328)	-	-	(5)	(11,199)
Total Expenditure	80,788	(12,698)	(5,285)	(2,920)	(317)	59,568
Surplus or deficit on the provision of services	(12,323)	-	-	-	252	(12,071)

27. Agency Income and Expenditure

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

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

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

	2014/15 £000	2013/14 £000
Direct Costs	56	96
Proportion of Shared Costs	344	687
Administrative Costs	69	136
Income	(1,147)	(2,002)
Net Surplus paid to Warwickshire County Council	(678)	(1,083)

This Agency Agreement was terminated at 31 October 2014.

NOTES TO THE ACCOUNTS

28. Members' Allowances

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

The total value of allowances paid to the Council's members during 2014/15 was:

	2014/15 £000	2013/14 £000
Allowances:		
Basic	212	213
Special Responsibility	56	55
Chair and Vice Chair Allowances	17	18
Co-Optees	1	2
Other Allowances (Travel, Subsistence, etc.)	10	11
Total Allowances	296	299

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

29. Officers' Remuneration

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

Post Title		Salary (inc Fees & Allowances) £	Pension Contribution £	Total Remuneration Inc Pension Contribution £
Chief Executive	2014/15	107,312	14,487	121,799
	2013/14	109,616	16,879	126,495
Deputy Chief Executive	2014/15	84,923	11,465	96,388
	2013/14	84,542	13,605	98,147
Deputy Chief Executive	2014/15	100,075	12,123	112,198
	2013/14	81,250	13,081	94,331
S151 Officer	2014/15	74,872	10,108	84,980
	2013/14	74,056	11,921	85,977
TOTALS	2014/15	367,182	48,183	415,365
TOTALS	2013/14	349,464	55,486	404,950

NOTES TO THE ACCOUNTS

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

	Number of Employees		Number of Employees	
	Total	Left	Total	Left
	2014/15	in Year	2013/14	in Year
£50,000 - £54,999	-	-	2	2
£55,000 - £59,999	1	-	-	-
£60,000 - £64,999	3	-	3	1
£65,000 - £69,999	1	1	-	-
£75,000 - £79,999	-	-	1	1
£100,000 - £104,999	-	-	1	1

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

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	-	7	4	5	4	12	£25,605	£102,952
£20,001 - £40,000	2	3	1	3	3	6	£91,907	£164,022
£40,001 - £60,000	2	1	-	1	2	2	£84,248	£94,220
£60,001 - £80,000	1	1	-	-	1	1	£69,679	£61,821
£100,001 - £120,000	1	-	-	-	1	-	£111,052	-
Total cost included in bandings and in CIES	6	12	5	9	11	21	£382,491	£423,015

30. External Audit Costs

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

	2014/15 £'000	2013/14 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	64	74
Fees payable to Grant Thornton for the certification of grant claims and returns	12	11
TOTAL PAID	76	85

NOTES TO THE ACCOUNTS

31. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15 £000	2013/14 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(3,515)	(4,552)
New Homes Bonus	(1,232)	(1,009)
Small Business Rate Relief Grant	(756)	(525)
Council Tax Freeze Grant	(78)	(79)
Council Tax Support Grant	(80)	(63)
Capitalisation Provision Redistribution	-	(24)
Council Tax Localising	-	(22)
Right To Challenge Grant	(8)	(9)
Right To Bid New Burdens Grant	(8)	(8)
Transparency Setup Grant	(6)	(2)
Council Tax Annex Discount Grant	(1)	-
<u>Capital Grants and Contributions:</u>		
- Flood Alleviation	(105)	(947)
- Chase Meadow Community Centre	(1)	(664)
- DCLG: Fen End - City Deal	-	(559)
- Donated Heritage Assets	(9)	(173)
- Other contributions towards Biomass Boiler, thermal improvements etc.	-	(36)
- Kenilworth Skate Park	-	(29)
- Replacement Rural Footway Street Lighting	-	(21)
- 26 Hamilton Terrace Gaming Hub	(108)	-
- S106 Contribs towards social housing & play equipment	(1,302)	(180)
TOTAL	(7,209)	(8,902)
Credited to Services		
DWP grants for Housing Benefits	(30,099)	(30,794)
Housing Benefit Administration Grant	(631)	(707)
DCLG Disabled Facilities Grant	(312)	(304)
Contribution towards NNDR Collection	(214)	(213)
Individual Electoral Registration	(44)	-
LA-Community Advice and Support	(10)	-
Efficiency and Transformation Grant	(13)	-
Site Delivery Fund	(50)	-
EU Inspire	-	(7)
Implementation of Homelessness Act	(30)	-
TOTAL	(31,403)	(32,025)
TOTAL GRANTS	(38,612)	(40,927)

NOTES TO THE ACCOUNTS

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

	2014/15 £000	2013/14 £000
Capital Grants / Contributions Receipts in Advance		
S106 Contributions towards social housing, car parking & play equipment	(374)	(915)
TOTAL	(374)	(915)

32. Related Party Transactions

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

Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26. Grant receipts outstanding at 31 March 2015 are included within the figures shown in Note 31.

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 36.

Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2014/15 the precepts issued totalled £1,207,647 (£1,122,295 2013/14). The major preceptors were:

	2014/15 £000	2013/14 £000
Warwick Town Council	306	291
Royal Leamington Spa Town Council	291	273
Kenilworth Town Council	175	173
Whitnash Town Council	103	91

Council Members and Chief Officers:

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

NOTES TO THE ACCOUNTS

Council Members have direct control over the Council's financial and operating policies. Grants totalling £424,600 (£345,607 2013/14) were paid to voluntary organisations in which six members had positions on the governing body. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The major grants awarded were:

	2014/15 £000	2013/14 £000
Citizens' Advice Bureau	151	102
Brunswick Healthy Living Centre	104	84
Warwickshire Community and Voluntary Action (CAVA)	92	65
The Chain	49	43

Details of Members' Allowances paid in 2014/15 are shown in Note 28 and Officer Salaries are disclosed in Note 29.

Leamington Bid:

The Council acts as an agent in respect of Leamington Bid whereby it collects the levy due on the Bid's behalf (£296,000 in 2014/15).

33. Capital Expenditure and Capital Financing

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

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement	134,460	134,460
Capital Investment:		
Property, Plant and Equipment including Finance Leases	9,095	8,824
Intangible Assets	-	8
Revenue Expenditure Funded from Capital Under Statute	1,118	1,330
Finance Leases Principal	44	76
Long Term Debtors	3	-
Sources of Finance:		
Capital Receipts	(1,315)	(1,599)
Government grants and other contributions	(2,261)	(1,915)
Major Repairs Account	(4,188)	(5,176)
Sums set aside from revenue	(2,452)	(1,472)
Adjustment for expenditure where MRP is being met by Asset Life or Depreciation Methods	(44)	(76)
Closing Capital Financing Requirement	134,460	134,460

NOTES TO THE ACCOUNTS

34. Leases

Authority as Lessee

Finance Leases

In 2011/12 and 2012/13 the Council acquired photocopiers under a Finance Lease and then in 2014/15 acquired a Dog Wardens van also under a Finance Lease . The liability remaining in the balance sheet at 31st March was £44,479. The minimum lease payments over the coming years are analysed below:

2015/16	£32,911
2016/17	£2,971
2017/18	£1,973
2018/19	£2,090
2019/20	£2,207
2020/21	£2,327

Authority as Lessor

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

Operating Leases

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

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

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

	31 March 2015 £000	31 March 2014 £000
Not later than one year	318	305
Later than one year and not later than five years	1,371	1,302
Later than five years	840	880
	2,529	2,487

The General Fund has a number of investment properties that it leases out which generates £569,000 rental income. Transactions relating to these properties are disclosed in Note 13 Investment Properties.

35. Impairment/Revaluation Losses

During 2014/15, the Council has recognised no impairment losses charged to the General Fund as a result of writing out or down physically impaired or obsolete assets.

Revaluation losses amounting to £352,737 mainly in respect of Riverside House and Victoria Park Bowls Pavilion were charged to the General Fund and then in accordance with statutory accounting requirements reversed out to the Capital Adjustments Account

NOTES TO THE ACCOUNTS

to ensure no impact on the Council Tax. In addition, Revaluation impairments amounting to £87,512 charged to the General Fund in previous years as a result of revaluations carried out by the District Valuer were recovered.

Within the Housing Revenue Account, the Council has recognised a revaluation impairment gain amounting to £16,350,887 relating to its housing stock which has partially reversed previous revaluation impairment losses charged to the HRA.

36. 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:

NOTES TO THE ACCOUNTS

	2014/15 £000	2013/14 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- current service cost	2,510	2,547
- past service costs	33	101
- (gain) / loss from settlements	-	-
<i>Financing and Investment Income and Expenditure:</i>		
- net interest expense	1,456	1,579
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	3,999	4,227
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)	(8,056)	(5,652)
- Actuarial gains and losses arising on changes in demographic assumptions	-	(720)
- Actuarial gains and losses arising on changes in financial assumptions	18,954	3,303
- Other	(1,057)	(289)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	13,840	869
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	(3,999)	(4,227)
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employer's contributions payable to scheme	2,060	2,008

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:

	2014/15 £000	2013/14 £000
Present value of the defined benefit obligation	148,809	127,143
Fair value of plan assets	(103,378)	(93,492)
Net liability arising from defined benefit obligation	45,431	33,651

NOTES TO THE ACCOUNTS

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

	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	93,492	85,498
Interest income	3,972	3,812
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	8,056	5,652
The effect of changes in foreign exchange rates		
Contributions from employer	2,060	2,008
Contributions from employees into the scheme	691	666
Benefits paid	(4,893)	(4,144)
Closing fair value of scheme assets	103,378	93,492

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

	2014/15 £000	2013/14 £000
Opening balance at 1 April	127,143	120,288
Current service cost	2,510	2,547
Interest cost	5,428	5,391
Contributions from scheme participants	691	666
Remeasurement (gains) / losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	-	(720)
- Actuarial gains / losses arising from changes in financial assumptions	18,954	3,303
- Other experience	(1,057)	(289)
Past service cost	33	101
Benefits paid	(4,893)	(4,144)
Closing balance at 31 March	148,809	127,143

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2015			Period Ended 31 March 2014		
	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	4,914	-	4,914	-	385	385
Equity Securities (by industry type):						
- Consumer	10,788	-	10,788	10,005	-	10,005
- Manufacturing	4,586	-	4,586	5,259	-	5,259
- Energy and Utilities	3,681	-	3,681	2,245	-	2,245
- Financial Institutions	6,035	-	6,035	4,425	-	4,425
- Health and Care	2,440	-	2,440	1,860	-	1,860
- Information Technology	2,718	-	2,718	3,271	-	3,271
- Other	2,821	-	2,821	2,758	-	2,758
Sub-total equity	37,983	-	37,983	29,823	385	30,208
Property:						
- UK Property	10,421	-	10,421	8,723	-	8,723
- Overseas Property	137	-	137	167	-	167
Sub-total property	10,558	-	10,558	8,890	-	8,890
Private Equity:						
- All	-	1,863	1,863	-	1,013	1,013
Investment Funds and Unit Trusts:						
- Equities	26,628	-	26,628	26,636	-	26,636
- Bonds	17,967	-	17,967	14,623	-	14,623
- Hedge Funds	-	4,574	4,574	-	4,233	4,233
- Other	3,805	-	3,805	7,889	-	7,889
Sub-total Investments	48,400	4,574	52,974	49,148	4,233	53,381
TOTAL ASSETS	96,941	6,437	103,378	87,861	5,631	93,492

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 2013.

NOTES TO THE ACCOUNTS

The significant assumptions used by the actuary have been:

	2014/15	2013/14
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.2%	4.3%
Bonds	3.2%	4.3%
Property	3.2%	4.3%
Cash	3.2%	4.3%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.4 years	22.4 years
Women	24.4 years	24.4 years
Longevity at 65 for future pensioners:		
Men	24.3 years	24.3 years
Women	26.6 years	26.6 years
Rate of inflation	2.8%	3.6%
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.4%	2.8%
Rate of discounting scheme liabilities	3.2%	4.3%

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)	4,464	(4,464)
Rate of increase in salaries (increase or decrease by 1%)	9,234	(9,234)
Rate of increase in pensions (increase or decrease by 1%)	19,988	(19,988)
Rate for discounting scheme liabilities (increase or decrease by 1%)	29,880	(29,880)

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 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The Council anticipates paying £1,937,000 expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2014/15 (18 years 2013/14).

NOTES TO THE ACCOUNTS

There is an inconsistency between the total scheme assets as determined by the actuary and the total scheme assets as per the pension scheme accounts. This is because the actuary has estimated the value of assets using the actual return on assets to December 2014 and has estimated the return on assets for January to March 2015.

37. Contingent Liabilities

Mutual Municipal Insurance Limited:

Before it stopped underwriting operations in September 1992, Mutual Municipal Insurance Limited (MMI) was the predominant insurer of public sector bodies, including local authorities, police and fire and rescue services. The implementation of a Scheme of Arrangement in 1993 means that even today many of those bodies and their successor authorities still have potentially significant exposure to MMI.

After several years of a deteriorating solvency position, and an adverse judgement in the Supreme Court, in November 2012 the Scheme was triggered. In April 2013, the Scheme Administrator announced that the "initial rate of the levy" would be 15% of the total of claims paid since 1993 (less £50,000) by the Scheme member or its successors. The levy will be applied once new claims handling procedures have been put in place.

This means that members of the Scheme face an imminent call on funds to eliminate MMI's current deficit and that in future only 85% of claim amounts will be paid out. Members also face potential future calls if the situation deteriorates further. Although the Council has provided for the bulk of this claw back there is potential for a further £100,000 to be reclaimed if the situation deteriorates further.

Business Rates Appeals:

The Council has included a provision for Business Rate appeals of £8.5m for businesses both submitting and being successful with an appeal, the details of which are included at note 20 on page 49. Due to the nature of the appeals process there is a potential for businesses to still appeal against their current rating. However, we have been unable to make a reliable estimate for the value of the potential liability of appeals that have not yet been submitted.

38. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

NOTES TO THE ACCOUNTS

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 Council also has regard to ratings published by Standard & Poor and Moody's and credit default swap overlays supplied by its Treasury consultants. The Treasury function also takes note of market intelligence. The Annual Investment Strategy also imposes a maximum sum to be invested with each type of financial institution located within each category.

The credit criteria at 1st April 2015 in respect of financial assets held by the Council are:

Financial Asset Category	Minimum Criteria (Fitch ratings)	Maximum Investment (per Counterparty or Group)	Maximum Duration	Proportion of Portfolio at 31st March 2015 £'000
Deposits With Banks	Sovereign equal to UK rating Long Term A+ (Nationalised banks A) Short Term F1 Viability BBB minimum Support 1	£5m (private) £9m (nationalised)	Up to 2 years Up to 2 years	10,357 18,133
Deposits With Building Societies Category A	Sovereign equal to UK rating Long Term A+ Short Term F1	£4m	Up to 2 years	2,005
Deposits with Money Market Funds	Constant Net Asset Value Funds - S & P AAAM or Moody's Aaa-mf or Fitch AAAmnf	£9m	Not defined - depends on cash flow	9,621
Deposits with Money Market Funds	Variable Net Asset Value Funds - S & P AAAS1 or Moody's Aaa- bf or Fitch AAA/V1	£6m	Not defined - depends on cash flow	6,017
Local and Police Authorities	Secured by statute on revenues of Authority	£9m	Up to 5 years	9,046
				55,179

The investments in force at 31 March 2015 totalling £55,179m have been reviewed and it is considered that following stabilisation of the UK banking system after the banking crisis of 2008 the Council is at a low risk of a counterparty defaulting during the remaining term of the investments as default is less likely particularly as the banks are now required to maintain much higher liquidity levels and "bail-in" regulations ensure that if default should be a possibility then shareholders of that particular institution will be required to put more funds into it in order to support it. It is also expected that the UK Government will still act as lender of last resort if the failed institution should be of sufficient size that its demise would threaten the stability of the UK banking system.

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 2015, sundry debts outstanding stood at £2.376m of which £0.496m related to general debts and £1.880m to Housing and Council Tax Benefit overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.035m (7.1%) and £0.821m (43.7%) have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively. An analysis by age of the £2.376m less £0.856m bad debts provision follows:

NOTES TO THE ACCOUNTS

	31 March 2015 £000	31 March 2014 £000
Less than three months	583	668
Four to six months	180	91
Seven to nine months	136	101
Ten to twelve months	137	48
More than one year	484	464
Total	1,520	1,372

At 31 March 2015, outstanding arrears in respect of council house rents and charges stood at £1.576m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.013m (64.3%) 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 (2014/15 revised £151.127m and 2015/16 £151.095m) 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 (2014/15 revised £163.127m and 2015/16 £185.095m). The Council did not incur any borrowing either for cash flow or long term purposes in 2014/15 and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments in 2015/16. The Public Works Loan Board loans taken out to finance the HRA Self Financing buy out in 2011/12 mature between 2053 and 2062. The amount in the Balance Sheet includes £52,225 interest relating to 2014/15 which will be paid in 2015/16.

The Council has within its balance sheet, £0.424m in respect of external contributions paid to it by developers and other contributors to be spent on mainly capital expenditure for which there is no precise indication of when the related spend will take place. If the spend does not take place, the contributions will need to be refunded but this is not expected to be an issue in 2015/16. All of the Council's trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

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

- 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.

NOTES TO THE ACCOUNTS

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

According to this assessment strategy, based on the 2014/15 out-turn a 0.25% movement upwards in interest rates would have produced an additional £0.154m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council does not invest in equity shares. However it does invest in Certificates of Deposits and Corporate Bonds which are instruments where the price does fluctuate, the Council manages this risk by only purchasing 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.

Foreign Exchange Risk

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

39. Authorisation of Accounts for Issue

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 30 June 2015.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

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

2013/14 £'000		Notes	2014/15 £'000	2014/15 £'000
EXPENDITURE				
4,988	Repairs and Maintenance		5,548	
5,591	Supervision and Management		5,568	
134	Rents, Rates, Taxes and Other Charges		130	
99	Increased Provision for Bad Debts		328	
(14,522)	Depreciation and Impairment of Non-Current Assets	7	(13,400)	
2	Debt Management Costs		2	
56	Amortisation of Intangible Assets & Revenue		81	
	Expenditure Funded from Capital Under Statute			
(3,652)	TOTAL EXPENDITURE			(1,743)
INCOME				
(24,474)	Dwelling Rents		(25,229)	
(782)	Non-Dwelling Rents		(807)	
(873)	Charges for Services and Facilities		(823)	
(641)	Contributions Towards Expenditure		(597)	
(26,770)	TOTAL INCOME			(27,456)
(30,422)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure			(29,199)
97	HRA services share of Corporate and Democratic Core			74
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services			82
(30,325)	Net Income for HRA Services			(29,043)
(1,576)	Gain or Loss on sale of HRA non-current assets		1,578	
4,766	Interest payable and similar charges		4,766	
135	Pensions Interest Cost and Expected Return on Pensions Assets	11	131	
(131)	HRA Interest and Investment Income		(178)	
(27,131)	(Surplus) / Deficit for the year on HRA services			(22,746)

MOVEMENT ON THE HRA BALANCE STATEMENT

The 'Surplus or (Deficit) for the year on HRA services' line shows the true economic cost of providing the authority's services, more details of which are shown in the HRA Income and Expenditure Statement. These are different from statutory amounts required to be charged to the Housing Revenue Account for dwellings rent setting purposes. The 'Net Increase / (Decrease) before transfers to earmarked reserves' line shows the change in the statutory Housing Revenue Account Balance before any discretionary transfers to or from reserves undertaken by the Council.

2013/14 £000		Notes	2014/15 £000	£000
1,283	Balance on the HRA at the end of the previous year			1,323
27,131	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement		22,746	
(22,301)	Adjustments between accounting basis and funding basis under statute	Main Notes 6	(18,829)	
4,830	Net increase or (decrease) before transfers to or from reserves		3,917	
(4,790)	Transfers (to) or from reserves		(3,887)	
40	Increase or (decrease) in year on the HRA			30
1,323	Balance on the HRA at the end of the current year			1,353

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Amounts Reported for Resource Allocation Decisions

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

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

	2014/15 £000	2013/14 £000
Other Grants and Contributions	(502)	(11)
Fees and Charges	(193)	(705)
Rents	(802)	(25,256)
Other Income	(26,036)	(296)
Recharges	(172)	(3,184)
Total Income	(27,705)	(29,452)
Employees	2,310	2,374
Premises	6,248	6,181
Transport	92	100
Supplies and Services	811	577
Third Party Payments	667	776
Support Services	1,854	3,586
Capital Financing Charges	(13,320)	(14,467)
Total Operating Expenses	(1,338)	(873)
Net Cost of HRA Services	(29,043)	(30,325)

NOTES TO THE HOUSING REVENUE ACCOUNT

2. Housing Stock

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

	31 March 2015 Nos.	31 March 2014 Nos.
Houses	2,446	2,461
Flats	2,380	2,422
Bungalows	669	669
	5,495	5,552

The change in housing stock can be summarised as follows:

	2014/15 Nos.	2013/14 Nos.
Housing Stock at 1 April	5,552	5,591
Purchases	1	-
Right to Buy Sales	(27)	(39)
Demolition for redevelopment	(31)	-
	5,495	5,552
Housing Stock at 31 March	5,495	5,552

3. 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:

	31 March 2015 £'000	1 April 2014 £'000
Council Dwellings	262,740	245,791
Other Properties	6,194	6,162
Land	179	179
Equipment	79	100
Assets Under Construction	1,829	151
Surplus Assets	780	2,103
Assets Held for Sale	363	748
	272,164	255,234
Total Balance Sheet Items	272,164	255,234

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Valuation of Dwellings

The 'vacant possession' value of dwellings represents the open market value of the housing stock, whilst the Balance Sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction to 34% of the market valuation) is the 'Economic Cost' of providing council housing at less than open market rents.

	1 April 2014 £'000	1 April 2013 £'000
Vacant Possession Value of Dwellings	719,732	671,312
Balance Sheet Value of Dwellings	245,791	229,001
Economic Cost to Government	473,941	442,311

5. Summary of Capital Expenditure Funding Sources

	2014/15 £'000	2013/14 £'000
Usable Capital Receipts	764	13
Revenue and Other Contributions	2,220	542
Major Repairs Reserve	4,188	5,175
TOTAL CAPITAL EXPENDITURE FUNDING	7,172	5,730

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

During 2014/15 the Housing Revenue Account incurred expenditure amounting to £80,525 on Revenue Expenditure Funded from Capital under Statute (£55,627 in 2013/14), which is capital expenditure incurred by the Council on non-physical assets. All of the £80,525 was spent on Transfer Incentive Scheme Payments, assisting tenants whose home is too large for their needs to downsize to more suitable accommodation, freeing up larger housing stock for families. The entire cost was amortised to revenue in 2014/15. No expenditure was incurred on Intangible Assets.

7. Revaluations Impairment

The 1st April 2015 valuation by the District Valuer, calculated by reference to indices, shows that the value of the Council's housing stock has increased by £16.351m which has been credited to the HRA to partially reverse previous years revaluation impairments made to that account.

The housing stock is valued on an "Existing Use – Social Housing" (EUV-SH) basis, derived from the Open Market Value (OMV), discounted by a Regional Adjustment Factor, which is determined by the Department for Communities and Local Government (DCLG). Currently, this is just 34% of the Open Market Value. A full valuation of the stock including physical inspection of beacon houses will be undertaken for 1st April 2016.

NOTES TO THE HOUSING REVENUE ACCOUNT

8. Summary of Capital Receipts

	2014/15 £'000	2013/14 £'000
Sale of Council Houses	1,989	2,998
Sale of Council Houses Advances Repaid	-	6
TOTAL CAPITAL RECEIPTS	1,989	3,004

9. Depreciation of Fixed Assets

	2014/15 £'000	2013/14 £'000
Council Dwellings	2,432	2,160
Other Buildings	494	403
Land	25	-
Equipment	-	28
TOTAL DEPRECIATION	2,951	2,591

10. Arrears and Provision for Bad or Doubtful Debts

	2014/15 £'000	2013/14 £'000
<u>HRA Rent & Charges Arrears</u>		
Current Tenant Rent Arrears	997	883
Former Tenant Rent Arrears	201	536
Dwelling Rent Arrears	1,198	1,419
Garage Rent Arrears	11	7
Supporting People Charge Arrears	37	29
Court Cost Arrears	105	110
Overpayment of Benefit Arrears	211	231
Other Arrears	14	-
Total Arrears	1,562	1,796
<u>HRA Bad Debt Provisions</u>		
Rent Bad Debt Provision	(914)	(1,095)
Court Cost Bad Debt Provision	(100)	(104)
Total Bad Debt Provisions	(1,014)	(1,199)

NOTES TO THE HOUSING REVENUE ACCOUNT

11. HRA – Accounting for Pensions under IAS19

The following transactions have been made in the HRA Income and Expenditure Account and Statement of Movement in the HRA Balance during the year:

	2014/15 £000	2013/14 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- current service cost	194	256
<i>Financing and Investment Income and Expenditure:</i>		
- net interest expense	131	135
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	325	391
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability	-	-
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	325	391
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	(325)	(391)
Actual amount charged against the Housing Revenue Account Balance for pensions in the year:		
- employer's contributions payable to scheme	150	201

HOUSING MAJOR REPAIRS RESERVE ACCOUNT

Under the Resource Accounting regime there is a statutory requirement to keep a Major Repairs Reserve (MRR) Account. An amount equivalent to the depreciation charge on HRA assets is transferred into this account. HRA 'Self Financing' was introduced on 1st April 2012; for a five year transitional period an adjustment is made to adjust the amount transferred into the MRR for dwellings to the 'Major Repairs Allowance' value set out in the Self Financing determination.

This reserve can be used for capital expenditure to help maintain or improve HRA assets. It can also be used to repay the principal of HRA debt; it cannot, however, be used to pay for debt servicing costs i.e. payment of interest due.

Actual 2013/14 £000		Notes	Actual 2014/15 £000
	INCOME		
(2,160)	Depreciation on HRA Dwellings		(2,530)
(431)	Depreciation on Other Non-Current HRA Assets		(421)
(3,348)	Appropriation Adjustment	1	(3,072)
(5,939)	TOTAL INCOME		(6,023)
	EXPENDITURE		
5,175	Capital Expenditure Funded from MRR	2	4,188
5,175	TOTAL EXPENDITURE		4,188
(764)	Net (Surplus) / Deficit to Balances		(1,835)
-	Balance Brought Forward		(764)
(764)	Balance carried forward	3	(2,599)

1. Appropriation Adjustment

This reflects the difference between the Transitional Major Repairs Allowance (MRA) from the Self Financing settlement and depreciation on HRA dwellings.

2. Capital Expenditure Funded from Major Repairs Reserve

This is a contribution to fund capital repairs and maintenance of the housing stock.

3. Balance on Account

After financing capital expenditure on maintaining and improving homes in 2014/15 there is a balance of £2,598,818 to be carried forward to 2015/16.

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.

2013/14				2014/15		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000	Notes	£000	£000	£000
INCOME						
(74,571)	-	(74,571)	Council Tax Receivable	(77,280)	-	(77,280)
-	(67,390)	(67,390)	Business Rates Receivable	-	(66,381)	(66,381)
-	(198)	(198)	Transitional Protection Payments receivable	-	-	-
Contributions towards earlier years' Collection Fund Deficit:						
(226)	-	(226)	- Warwickshire County Council	-	-	-
(35)	-	(35)	- The Office of the Warwickshire Police and Crime Commissioner	-	-	-
(33)	-	(33)	- Warwick District Council	-	-	-
(74,865)	(67,588)	(142,453)	TOTAL INCOME	(77,280)	(66,381)	(143,661)
EXPENDITURE						
Precepts and Demands:						
-	31,657	31,657	- Central Government	4	-	34,417
56,064	6,331	62,395	- Warwickshire County Council	4	58,717	6,883
8,782	-	8,782	- The Office of the Warwickshire Police and Crime Commissioner	4	9,198	-
8,250	25,325	33,575	- Warwick District Council	4	8,527	27,534
73,096	63,313	136,409		76,442	68,834	145,276
Distribution of earlier years' Collection Fund Surplus:						
-	-	-	- Central Government	-	461	-
-	-	-	- Warwickshire County Council	965	92	1,057
-	-	-	- The Office of the Warwickshire Police and Crime Commissioner	151	-	151
-	-	-	- Warwick District Council	142	369	511
-	-	-		1,258	922	2,180
Charges to the Collection Fund:						
233	367	600	- Write-offs of uncollectable amounts	273	520	793
-	213	213	- Warwick District Council: Cost of Collection Allowance	-	214	214
244	-	244	- Increase / (Decrease) in Bad Debts Provision	-	(250)	(250)
-	6,553	6,553	- Increase / (Decrease) in Provision for Appeals	-	1,961	1,961
-	-	-	- Transitional Protection Payments payable	-	796	796
-	-	-	- Deferrals	-	(166)	(166)
477	7,133	7,610		273	3,075	3,348
(1,292)	2,858	1,566	Net (Surplus) / Deficit for Year	693	6,450	7,143
98	-	98	(Surplus) / Deficit brought forward 1 April	(1,194)	2,858	1,664
(1,194)	2,858	1,664	(Surplus) / Deficit carried forward 31 March	5	(501)	9,308
						8,807

NOTES TO THE 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 yearend 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 2014/15 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 Band	Ratio	Band D Equivalent Dwellings
@	0	15	0	(3.00)	12.00	5 / 9	6.67
A	4,717	23	(213)	(720.25)	3,806.75	6 / 9	2,537.83
B	11,364	46	(619)	(1,348.25)	9,442.75	7 / 9	7,344.36
C	16,377	1	(477)	(1,427.00)	14,474.00	8 / 9	12,865.78
D	12,240	(23)	(305)	(843.00)	11,069.00	9 / 9	11,069.00
E	6,945	(12)	(325)	(378.25)	6,229.75	11 / 9	7,614.14
F	4,794	(17)	(100)	(200.25)	4,476.75	13 / 9	6,466.42
G	3,840	(14)	(34)	(144.25)	3,647.75	15 / 9	6,079.58
H	412	(19)	(9)	(11.25)	372.75	18 / 9	745.50
	60,689	0	(2,082)	(5,075.50)	53,531.50		54,729.28

Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties (169.09)

Less Council Tax Support Scheme (4,723.31)

COUNCIL TAX BASE 2014/15 49,836.88

The Council Tax demands and precepts on the Collection Fund for 2014/15 totalled £76.442m (£73.095m in 2013/14) which, when divided by the Council Tax base, gave an average Band D equivalent of 1,533.84 (1,506.20 in 2013/14). The actual income credited to the Fund was £77.07m which is made up as follows:

	£'000
Income from Council Tax	(77,280)
Write-offs	273
INCOME FROM COUNCIL TAX 2014/15	(77,007)

Prior to 2014/15 certain eligible taxpayers had some, or all, of their charge met by Council Tax Benefits. The amount of the benefit was credited to the Collection Fund and appeared as a charge in the billing authority's Central Services to the Public line in the Comprehensive Income and Expenditure Statement. This expenditure was financed by

NOTES TO THE COLLECTION FUND

way of a Government grant. From 2014/15 Council Tax Benefits has been replaced by a Council Tax Reduction Scheme which is applied directly to the Council Tax base.

3. **Income from Business Ratepayers**

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate of 48.2p.

Prior to 2014/15 the total amount, less certain reliefs and other deductions, was paid to a central pool (the NNDR Pool) managed by Central Government, which in turn paid back to authorities their share of the pool based on a standard amount per head of resident population.

From 2014/15 Councils will be able to keep a proportion of the business rates revenue as well as growth that is generated in their area. This will provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services.

The total rateable value of properties in the Warwick District area was £163,662,499 at 31 March 2015.

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

Council Tax:

The following authorities made significant demand on the Collection Fund during 2014/15:

Warwickshire County Council	£58,717,313.65
The Office of the Warwickshire Police and Crime Commissioner	£9,197,952.00
Warwick District Council	£8,526,691.00

Business Rates:

The following organisations made significant demand on the Collection Fund during 2014/15:

Government	£34,417,248
Warwickshire County Council	£6,883,450
Warwick District Council	£27,533,798

The Council subsequently makes a tariff payment to the Government of £22,456,934.

NOTES TO THE COLLECTION FUND

5. Accounting for the Collection Fund

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

COLLECTION FUND 31st March 2014

Warwick District £'000	Warwicks. County £'000	Warwicks. PCC £'000	Total £'000	COUNCIL TAX
256	1,764	276	2,296	Arrears
(84)	(576)	(90)	(750)	Impairment Allowance for Doubtful Debts
(90)	(620)	(97)	(807)	Overpayments and Prepayments
<u>Collection Fund Balance:</u>				
-	(916)	-	(916)	Warwickshire County Council
-	-	(143)	(143)	The Office of the Warwickshire Police and Crime Commissioner
(135)	-	-	(135)	Warwick District Council
(135)	(916)	(143)	(1,194)	TOTAL COLLECTION FUND

				<u>Balance Sheet:</u>
256	-	-	256	Debtors
(90)	(348)	(54)	(492)	Creditors
(84)	-	-	(84)	Bad Debts
(135)	-	-	(135)	Collection Fund Adjustment A/c

COLLECTION FUND 31st March 2015

Warwick District £'000	Warwicks. County £'000	Warwicks. PCC £'000	Total £'000
253	1,774	278	2,305
(82)	(577)	(90)	(749)
(104)	(733)	(115)	(952)
-	(386)	-	(386)
-	-	(60)	(60)
(55)	-	-	(55)
(55)	(386)	(60)	(501)

253	78	13	344
(104)	-	-	(104)
(82)	-	-	(82)
(55)	-	-	(55)

NOTES TO THE COLLECTION FUND

COLLECTION FUND 31st March 2014

Central Govt. £'000	Warwick District £'000	Warwicks. County £'000	Total £'000
574	459	114	1,147
(375)	(300)	(75)	(750)
(368)	(294)	(73)	(735)
(3,277)	(2,621)	(655)	(6,553)
1,429	-	-	1,429
-	1,143	-	1,143
-	-	286	286
1,429	1,143	286	2,858

-	459	-	459
(2,017)	(294)	(403)	(2,714)
-	(300)	-	(300)
-	(2,621)	-	(2,621)
-	1,143	-	1,143

BUSINESS RATES

Arrears
Impairment Allowance for Doubtful Debts
Overpayments and Prepayments
Provision for Appeals

Collection Fund Balance:

Central Government
Warwick District Council
Warwickshire County Council

TOTAL COLLECTION FUND

Balance Sheet:

Debtors
Creditors
Bad Debts
Provision for Appeals
Collection Fund Adjustment A/c

COLLECTION FUND 31st March 2015

Central Govt. £'000	Warwick District £'000	Warwicks. County £'000	Total £'000
493	394	99	986
250	(200)	50	100
535	(428)	107	214
4,257	(2,086)	851	3,022
4,654	-	-	4,654
-	3,723	-	3,723
-	-	931	931
4,654	3,723	931	9,308

10,189	394	1,107	11,690
-	(428)	-	(428)
-	(200)	-	(200)
-	(2,086)	-	(2,086)
-	3,723	-	3,723

GLOSSARY

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

Accruals

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

Actuarial gain (loss)

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

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

Agency

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

Amortisation

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

Asset

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

Band D Equivalent

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

Best Value

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

Billing Authority

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

Budget

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

Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. 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

From 1 April 2013 councils will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. It will provide a direct link between business rates growth and the amount of money councils will have to spend on local people and local services.

Capital Adjustment Account

Resources set aside to meet past capital expenditure.

GLOSSARY

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.

GLOSSARY

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.

Liabilities

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

GLOSSARY

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;

GLOSSARY

- 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.

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

To follow after audit

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

- 1.1 Warwick District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Warwick District Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.
- 1.3 Warwick District Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the Code is on our website at www.warwickdc.gov.uk or can be obtained in hard copy form on request from the Audit and Risk Manager.
- 1.4 This statement explains how Warwick District Council has complied with the Code and meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwick District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Warwick District Council for the year ended 31st March 2015 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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

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

- 3.1.1 In October 2010 the Council adopted Fit for the Future (FFF), its strategic response to dealing with the challenges of reduced income, rising customer expectations and demand. FFF provides a framework to help the Council make progress towards its organisational purpose "To make Warwick District a great place to live, work and visit". It sets out a range of activities, interventions and projects falling into two broad areas:

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- a) Activities that are designed to improve community outcomes. These are developed by the Council's Service Areas or jointly with partners and relate to one or more of the priority or cross cutting themes of the Sustainable Community Strategy (SCS). A review of the SCS was undertaken during 2013 that led to a refreshed Strategy focusing on five priority themes with the first among equals being Prosperity.
- b) Activities that are designed to improve our organisation and the services provided by the Council. These activities aim to bring about the following improvements:
 - i) Money - delivering a balanced budget; whilst
 - ii) Service - maintaining or if possible improving the services we provide to customers; and
 - iii) People - helping develop our organisation and culture so that we are better able to improve continuously.

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

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

3.1.3 A performance management system is in place to manage the progress of FFF. A wide range of measures are used to track the Council's progress and results are reported quarterly to Senior Management Team.

3.1.4 FFF has three strands covering the financial challenge, service quality and cultural change (money, services and people). A 2013 review of the Council's governance arrangements reported that, whilst robust plans are in place to address the first two, the organisation needed to make progress in addressing the third. Cultural change was regarded as essential in achieving the first two strands and in achieving the Council's objectives overall.

3.1.5 Consequently, a plan of action to drive cultural change has been developed with the Senior Management Team (SMT) and was rolled out as part of the Chief Executive's annual presentation to employees in March 2013. Following on from this a consultant was engaged to kick start work on staff engagement in October 2013. This has resulted in a staff engagement action plan being created and implementation is underway. Activities within 2014/15 have included:

- Communication of FFF reviewed and refreshed to ensure it is meaningful to all staff.

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- A Staff Council has been created, Staff Voice with 25 staff representatives from all service areas covering all sites.
- Core Brief has been revamped with a focus on ensuring articles are engaging and relevant to the audience, including highlights from management team meetings.
- Senior Officer Meetings are planned in more detail, with a focus on what the presenter wants Senior Officers to know and take back to their teams. They are interesting, lively and interactive.
- Jabber has been rolled out to all staff. It is a tool enabling staff to check others' availability instantly, to send quick messages without using e-mail, enables group conversations and desk top sharing to encourage collaborative working.
- Rumour Mill was launched in February 2014. It is an anonymous communication tool, giving all staff the opportunity to ask questions, or make comments directly to the leadership without anyone knowing who asked the question.
- 'How we do it here' – An audit tool to allow the organisation to verify that staff have read and agreed to comply with corporate policies. Where relevant this is linked with E-Learning to ensure learning has also been achieved.
- CX Talk has a more informal approach to encourage interaction and engagement.

A review of the Engagement plan took place in Dec 14 with clear support from both Senior Management and Members regarding the approach we are taking to ensure we are in line with the People strand of FFF.

The People Strategy Action Plan is now being reviewed for 2015-2018 to include actions from the Investors in People Review and Peer review of 2014/15.

- 3.1.6 The Council's Portfolio Holders each publish an annual Service Area Plan identifying and communicating the Council's priorities for the year. The statements are approved by Executive and published on the Council's website.
- 3.1.7 Progress in achieving the Council's objectives is communicated to the local community via a variety of media including the Council's website and local newspapers.

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

- 3.2.1 The SCS has a vision of improving the quality of life for all the residents of Warwick district by making the district a great place to live, work and visit. The review of the SCS in 2014/15 fed into the development of the Service Area Plans for 2014/15. It is possible that the Strategy will need revisiting once again following the elections in May 2015.
- 3.2.2 The 2013 review did not touch on the Council's constitutional governance arrangements. These can be summarised as follows:
 - Council is the ultimate decision making body for those matters that have not been delegated to Executive, specific officers or are required to be taken at Council level by law.
 - Executive will make decisions in respect of the majority of Council matters or make recommendations to the Council.
 - Overview and Scrutiny Committee will have oversight responsibility for policy development and performance monitoring whilst Finance and Audit Scrutiny

ANNUAL GOVERNANCE STATEMENT

Committee will oversee the adequacy of the Council's risk management and control frameworks, especially that of financial control.

- 3.2.3 A great deal of progress has been made in engaging the Scrutiny Committees in a new approach to scrutiny, particularly in the area of Partnerships, Service Area Plans and, most especially, Risk Registers (service and corporate) and Contract Registers.
- 3.2.4 The Group Leaders, with assistance from the Overview & Scrutiny Committee, review annually the terms of reference and work of Members appointed to outside bodies. This helps ensure the Council is focused on its key role within the community and helps to reduce potential conflicts of interests for Councillors. This has seen a reduction in the numbers appointed and will likely lead to further reductions in 2015.

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

- 3.3.1 Performance monitoring and reporting mechanisms ensure performance management is embedded into the core management structures of the organisation. The Council has moved away from performance targets as it is considered that these act as a barrier to the ethos of continuous improvement. In their place the Council is using key performance measures to track service delivery progress. Key customer performance measures are identified in the Service Plans.
- 3.3.2 The Council is committed to actively consulting and involving the public in improving services. It measures regularly the experience of users of its services and gathers citizens' opinions on a variety of subjects. To this end, it employs various devices including an annual Housing Services survey, Customer Service surveys, Community Forums, online polls and online consultations.
- 3.3.3 The Council has adopted an approach that does not use targets as a basis for monitoring. We measure things to learn about how well we are delivering our purpose and what matters to customers and to enable us to understand what we need to do to improve continuously. To this end, service areas gather data against measures identified during the Service Area Planning process.
- 3.3.4 Where service falls below customer expectations it often manifests itself in complaints. The Complaints Policy has been reviewed and is due to be formally approved and introduced in the next 12 months. There will also be consideration of the resources given to supporting this as part of the current support services review. The trends for complaints are monitored through the corporate measures process.
- 3.3.5 Benchmarking is seen as a key tool for managing performance through comparing process and cost with others. Finance services such as accountancy, internal audit, treasury management, payroll and debtors are periodically benchmarked against other local authorities in terms of price and performance.

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

- 3.4.1 The Constitution sets out the respective responsibilities of Members and Officers through Codes and Protocols. It sets out the terms of reference for the Council and all of the Council's Committees. The Executive reviews the Constitution on an ongoing basis and ensures the levels of delegation are appropriate. The review of the Council's Constitution is well underway. The Code of Conduct for Members, the Code of Conduct for Employees, the Member/Officer protocol, the Council Procedure Rules, the

ANNUAL GOVERNANCE STATEMENT

Responsibilities of Housing Appeal Review Panels and the Code of Procurement Practice have all been reviewed and adopted by Council. The Code of Financial Practice, Officer Scheme of Delegation, Public Speaking at Council and the Call-in procedure are due to be completed by the end of the Municipal year. This will leave just a few Constitution-related documents to be updated, the majority of which will be to ensure they reflect the other decisions taken on the Constitution. These will be completed by early winter 2015. (Action 1)

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

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

- 3.5.1 The Constitution contains a Member/Officer Protocol and Codes of Conduct for Members and Officers. All new Members and Officers receive a copy of their respective Codes and reference is often made to them in reports that are submitted to Committees.
- 3.5.2 There is a regular review of Member interests (detailed on the Council's website) by the Standards Committee and a six-monthly review by SMT of officer interests and declarations of gifts and hospitality. Staff are reminded annually through their payslip of the need to make declarations for conflicts of interest.
- 3.5.3 There is an Anti-Fraud and Corruption Policy that is reviewed annually by Finance & Audit Scrutiny Committee. All new staff receive training on the Policy as part of the induction process and it is brought to the attention of all staff annually through the Council's Intranet.
- 3.5.4 The Council's Information Security & Conduct Policy (ISCP) defines the Council's standards of behaviour when using ICT equipment or managing information. In addition, the ISCP also includes 'acceptable use' policies. The ISCP is communicated to staff during the induction process and when a major revision has occurred. Individual aspects of the policy are also highlighted to staff via the 'Core Brief' or the Council's Intranet.
- 3.5.5 The Authority agreed Organisational Values in 2007. These are now reflected in the revised Appraisal and Competency Framework where the emphasis on 'How's work' forms part of a more flexible and tailored approach to the importance of the appraisal conversation. The Organisational Values have been a key element in the development of FFF.
- 3.5.6 There is significant concern that during the year yet more confidential information has been disclosed to third parties. It has been very difficult to identify the source of the "leak" but the damage is done as soon as the disclosure occurs. Both the Chief Executive and the Council's Leader have brought the matter to Council's attention on a number of occasions and the Monitoring Officer has written to Councillors advising of the legal implications of disclosure.

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

- 3.6.1 The Code of Financial Practice and the Code of Procurement Practice form part of the Council's Constitution.

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- 3.6.2 Following thorough reviews, the updated Code of Procurement Practice was agreed by Council in January 2015, and the updated Code of Financial Practice was reviewed by Executive in March 2015 for agreement by Council in April. "e-Training" has been provided on the code of Financial Practice to all officers during 2014/15. Training on the Code of Procurement Practice has started to be rolled out to staff since January as part of broader Procurement workshop training. This training will continue to be provided during 2015 and will be supplemented by a further workshop that considers specifications and contract management. (Action 2)
- 3.6.3 Training on the Code of Procurement Practice was offered two years ago to Members but take-up was not as comprehensive as required. Discussion with Members on this issue highlighted a need for Member training to be organised in a proactive, planned fashion. A Procurement training session is planned for members as part of the Member Training Programme being developed for after the 2015 elections. (Action 3)
- 3.6.4 A Procurement Strategy has been agreed by the Council and an annual Procurement Action Plan is monitored by Finance & Audit Scrutiny Committee. The Plan is overseen by the Procurement Manager who champions procurement issues across the Council.
- 3.6.5 Finance & Audit Scrutiny Committee has taken a keen interest in procurement, forming a Procurement Working Party of three members that has helped raise the profile of the function throughout the organisation. Finance & Audit Scrutiny Committee is reviewing all the Services' contract registers as part of a rolling programme.
- 3.6.6 A uniform report template sets out the standard information required for a Committee decision to be taken, and a protocol is in place for officer attendance at Committees. There are guidance notes for officers on writing reports. The template and associated guidance were updated during 2014.
- 3.6.7 A system has been set-up to monitor the implementation of Executive decisions. The Deputy Chief Executive now reviews the decisions on a three-month rolling basis.
- 3.6.8 The Council's Risk Management Policy Statement and Strategy is updated annually and reported to Finance & Audit Scrutiny Committee. This explains the methodology that provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Management Group meets quarterly to help embed risk management across the Authority.
- 3.6.9 High level corporate risks are set out in the Significant Business Risk Register (SBRR) which is reviewed quarterly by SMT and then by Executive via Finance & Audit Scrutiny Committee. Risks relating to the FFF programme are incorporated within the SBRR.
- 3.6.10 Concerns had developed that some aspects of maintaining the SBRR may not be robust. Consequently, a review of the process for producing and monitoring the SBRR has been undertaken leading to much fuller engagement by SMT and ongoing oversight by the Council's Leader.
- 3.6.11 Operational risks are recorded on service risk registers. Services are required to review their risk registers on a regular (at least quarterly) basis with their portfolio holders. It is recognised that not all services adhere to this. (Action 4)
- 3.6.12 A programme of review of service risk registers by Finance & Audit Scrutiny Committee is in place that has helped greatly to raise awareness of good risk management.

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- 3.6.13 Business continuity plans are in place across the council to help services react to emergency events. It is recognised, however, that several plans are in need of updating. (Action 5)

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

- 3.7.1 The core functions of an audit committee are delivered by the Authority's Finance & Audit Scrutiny Committee. These are set out in its terms of reference approved by the Executive.
- 3.7.2 The main purposes of the Finance & Audit Scrutiny Committee are to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and to oversee the financial reporting process.
- 3.7.3 In addition to the main purposes of the Finance & Audit Scrutiny Committee it also:
- Approves (but not directs) Internal Audit's strategy and annual plan and reviews its performance;
 - Reviews summary Internal Audit reports and the main issues arising and seeks assurance that action has been taken where necessary;
 - Considers the reports of external audit and inspection agencies;
 - Considers the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
 - Seeks assurances that action is being taken on risk related-issues identified by auditors and inspectors;
 - Satisfies itself that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
 - Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
 - Reviews the financial statements, external auditor's opinion and reports to members and monitors management action in response to the issues raised by external audit. Review the robustness of business cases
 - Promote value for money and good procurement practice
 - Make recommendation on good financial management practices
 - Keep the treasury management performance under review
 - Make recommendation to the Council regarding the approval of the Statement of Accounts in accordance with regulation 10 of the Accounts and Audit Regulations 2003.
 - Review specific Executive items and past decisions.

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

- 3.8.1 Compliance with law and regulation is assisted by recruiting suitably qualified staff and having job descriptions and personal specifications for all posts. All senior managers receive a local government briefing to alert them to changes in the external regulatory framework and major changes are identified for reports to the Executive or

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Council as appropriate. As part of the service planning process the impact of new laws is addressed.

- 3.8.2 SMT will monitor compliance with internal policies from time to time. Examples include: the annual review of appraisals undertaken; compliance with health and safety policy; monitoring of our Equality and Diversity annual report. Internal Audit will identify any key policies that might need to be tested as part of any audit.
- 3.8.3 To ensure expenditure is lawful the Council agrees detailed budgets. Managers responsible for the budgets are required to sign acceptance of them. The Code of Financial Practice and Code of Procurement Practice set out procedures to ensure lawful expenditure. Both Finance staff and the Chief Financial Officer are required to sign off Committee reports to ensure relevant financial issues have been addressed. Where appropriate, reports are considered by the Council's shared Legal Service. All Executive reports are considered by the Council's Monitoring Officer.
- 3.8.4 Budget monitoring takes place across the Council throughout the year, with regular reports being considered by SMT (monthly) and Executive (quarterly), with intelligence from across the authority informing the process. The budget monitoring process has continued to be reviewed, with specific consideration during 2014/15 of the capital budget and slippage of revenue and capital schemes, resulting in much greater scrutiny of these aspects. Services recognise, however, that there is still some scope for improvement in budget monitoring, including how the Property Management system ('ActiveH') and main financial system ('Total') are used together for budget monitoring. (Action 6)
- 3.8.5 There have been a limited number of projects in the last couple of years where the original project budget has proved to be insufficient. This has resulted in reports to members to seek additional funding. The reasons for the need for additional funding vary for each project. In view of this the Executive agreed that for all new building projects and professional services contracts from 1 April 2015, the Council adopts the RIBA staged process and for all other projects the Prince2 approach. By adopting this approach, it is intended that members should be able to have greater confidence in any estimates being presented for new schemes.
- 3.8.6 Establishing a shared Legal Service with the County Council has meant that arrangements have been put in place whereby there is a responsibility for the relevant Head of Service to satisfy themselves as to the legality of any recommendation and if there is any doubt seek advice.
- 3.8.7 The Council publishes a Forward Plan on a monthly basis that contains details of all decisions to be made by the Executive.
- 3.8.8 Following the report to members in March 2014 highlighting failing in procurement processes in parts of the organisation, the authority's approach to procurement has been reviewed. A more centralised approach is now adopted, requiring the Council's procurement team to be central to all procurement opportunities and providing instructions to officers. Alongside this, a comprehensive set of actions was identified, with these actions being monitored and reported to members during 2014/15.

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

- 3.9.1 An Anti-Fraud and Corruption Strategy and a Whistle-blowing Policy and Procedure are in place. Both documents are reviewed annually by Finance & Audit Committee and publicised widely, including on the Council's website.

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3.9.2 The Anti-Fraud and Corruption Strategy comprises a series of measures and procedures that are designed to frustrate any attempted fraudulent or corrupt acts. This includes:

- Establishing the appropriate culture
- Appointing statutory officers
- Maintaining a Council committee structure which reviews decisions, examines specific issues and promotes high standards, as well as investigating alleged breaches of the code of conduct
- Recruiting and retaining high calibre staff
- Establishing relevant procedures and codes that form the Council's overall control framework
- Exchanging information with other bodies
- Undertaking a comprehensive approach to the preparation of the Annual Governance Statement.

3.9.3 The Strategy also describes the arrangements for investigating allegations of wrongdoing.

3.9.4 The Whistle-blowing Policy provides a channel for those that have serious concerns about any aspect of the Council's work to come forward and express those concerns anonymously and safely.

3.9.5 The policy aims to:

- Encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice
- Provide avenues for employees to raise those concerns and receive feedback on any action taken
- Ensure that employees receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied
- Reassure employees that they will be protected from possible reprisals or victimisation if they have reported their concerns in good faith.

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

3.9.7 This includes the Council's confidential telephone helpline 'In Touch'.

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

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

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

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- 3.10.2 Training for senior officers is identified through the induction programme and on an ongoing basis through the competency and personal development framework process that requires a review of development needs.
- 3.10.3 CMT attends appropriate training courses organised by the Society of Local Authority Chief Executives (SOLACE), West Midlands Employers (WME) and the Local Government Association (LGA) whilst all senior managers are encouraged to attend relevant professional seminars and conferences.
- 3.10.4 As identified earlier, training for senior officers and members is required in the areas of contract and financial management.
- 3.10.5 The review of governance arrangements two years ago confirmed a need to provide training for Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively. A short remit for these roles has been agreed and training on this is included within the member induction programme for 2015. (Action 7)

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

- 3.11.1 Locality Working, which has extended the remit of the local neighbourhood policing forums to cover the totality of local government working (District, County and Parish/Town) along with the Primary Care Trust and Voluntary and Community Sector, is now active in all parts of the District through the operation of 7 Community Forums. Forum attendees identify community priorities and allocate resources provided by the District and County Councils to specific projects.
- 3.11.2 The Community Engagement Strategy was developed on behalf of the Warwick Partnership Group as a means of enabling a dialogue between communities and public sector organisations. The Warwick Partnership led on the Community Engagement Strategy for Warwick District. As a result of the changes in the partnership landscape, however, the Community Engagement Strategy is no longer required. The focus is now on the adoption of a set of principles and values that will govern the community engagement work. In addition, the link with the Engaging Communities Co-ordination Project overseen by Warwickshire Community and Voluntary Action (WCAVA) provides a means for the Council to engage with communities of interest.
- 3.11.3 A Channel Strategy based on understanding customer behaviour and their needs was adopted in April 2012. The channels our customers use vary from more traditional ones like face-to-face and telephone to newer channels like social media and mobile web access. The strategy ensures we are focusing our resources on the channels and services that are important to our customers. The associated action plan is now largely complete.
- 3.11.4 A programme of work to improve service requests through the Council's website will commence during 2015. The programme, Digital by Default, will enable high-volume requests to be delivered fully electronically to ensure the customer receives an improved and efficient service.
- 3.11.5 An overarching Communications Strategy, containing an action plan with proposed improvements, was adopted in June 2013. This identifies the different ways the Council will deliver messages to its audiences in an organised and targeted way. Progress in implementing the action plan is reported quarterly to the Senior Management Team.

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

- 3.12.1 The Council has updated its policy for managing its partnership arrangements. The governance arrangements for all partnerships have been reviewed with all lead officers being required to complete a Partnership Checklist to identify any governance weaknesses. All new partnerships must be approved by Executive with a partnership checklist accompanying the report presented to the Executive.
- 3.12.2 The Scrutiny Committees also have a role for reviewing the effectiveness of partnerships. This work has enabled Scrutiny Committees to play a valuable role in ensuring that the Council's partnerships remain effective and are value for money.
- 3.12.3 Last year's review of governance arrangements found that formal agreements such as a memorandum of understanding or service level agreement are not applied consistently to all shared service arrangements. No new shared service arrangements have been created in recent years although current agreements are kept under review.

4. REVIEW OF EFFECTIVENESS

- 4.1 Warwick District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:
- the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment;
 - the Audit & Risk Manager's annual report; and
 - comments made by the external auditors and other review agencies and inspectorates.

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

4.3 The Council

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

4.4 The Executive

- 4.4.1 The Code of Corporate Governance brings together in one document all the governance and accountability arrangements which the Council currently has in place and highlights areas where more work is required. The Executive last agreed the Code of Corporate Governance in March 2008. Although it is endorsed by Standards Committee each year it is never-the-less due for a thorough review. (Action 8)

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

- 4.5.1 The Council has delegated to Finance & Audit Scrutiny Committee responsibility for discharging the functions of an audit committee. Its main purposes are to provide independent assurance of the adequacy of the risk management framework and the

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associated control environment; independent scrutiny of the authority's financial and non-financial performance; and oversee the financial reporting process.

- 4.5.2 Each quarter the committee reviews the findings from Internal Audit assignments completed during those periods, whilst annually it receives a report on the effectiveness of Internal Audit. It also considers reports from external audit and other review agencies as and when they are issued.
- 4.5.3 The rigour applied by these Committees in carrying out their scrutiny role has contributed to an effective governance framework and to the Council achieving its objectives. For example, the ongoing review by Finance & Audit Scrutiny Committee of service risk registers has improved risk management throughout the organisation and member championing of effective procurement has resulted in major improvements in procurement practice and the attainment of significant savings from the commissioning of goods and services.

4.6 The Standards Committee

- 4.6.1 Following a review of the remit of the Standards Committee, responsibility for approving the Annual Governance Statement has moved to the Finance & Audit Scrutiny Committee operating, in effect, as the Council's Audit Committee.

4.7 Internal Audit

- 4.7.1 Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan which is approved by Finance & Audit Scrutiny Committee and from which the audit assignments are identified.
- 4.7.2 A report of each audit is submitted to the relevant Service Area Manager. The report includes an action plan comprising recommendations for improvements in control and management responses.
- 4.7.3 During the year Internal Audit gave moderate levels of assurance in respect of three key areas: Corporate Procurement, Shared Legal Services and Section 106 Agreements. It is important that recommendations relating to these reviews are acted upon in accordance with the required timescales. (Action 9)
- 4.7.4 Quarterly reports are issued to Members on progress in achieving the annual plan. The reports also contain copies of all action plans issued to managers in the quarter, details of any outstanding responses and, where the level of assurance given is less than substantial, copies of the audit reports.
- 4.7.5 The Internal Audit Section complies with the Public Sector Internal Audit Standards that came into force on 1 April 2013 and is subject to regular inspection by the Council's external auditors who place reliance on the work that the Section carries out.

4.8 Chief Financial Officer

- 4.8.1 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010) to ensure an effective system of internal control is maintained and operated in connection with the resources concerned.

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- 4.8.2 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.
- 4.8.3 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in 3 specific matters:
- Head of Finance reporting directly to Chief Executive.
 - Head of Finance being a member of Leadership Team
 - Head of Finance having responsibility for Asset Management.
- 4.8.4 The Council's view is that the way it operates – the Head of Finance's regular attendance at CMT/Exec 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 way of operating has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being a detriment to the authority is low.
- 4.8.5 With regard to asset management, responsibility for this comes under the Head of Housing & Property Services and the Council considers this is the appropriate place for it to be as that is where the expertise lies.
- 4.8.6 Naturally the Council will need to keep all reporting and responsibility arrangements under review and would be prepared readily to discuss any perceived shortcomings with the Council's external auditors if and when they arise.
- 4.9 **Other review/assurance mechanisms**
- 4.9.1 The Scrutiny Committees, the Standards Committee and External Audit contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use has been made of other review agencies such as peer assessors from the West Midlands Local Government Association, this latterly being in 2012, with a review update planned for summer 2014.
- 4.9.2 The Council is audited annually to ensure it meets a set of mandatory information assurance requirements set by central government called the Code of Connection (CoCo). CoCo requires local authorities to provide a compliance statement that documents how their information technology meets baseline requirements that are adopted from ISO 27001. The effective use of ICT Resources is critical in the efficient delivery of Council services to its citizens. ICT Governance is undertaken by the Council's ICT Steering Group and this group is responsible for ensuring that ICT resource allocation is directly aligned to Council priorities and appropriate reporting and monitoring arrangements have been put in place.
- 4.9.3 The Council has been Investors in People accredited since 1998 and received Bronze accreditation in 2011. A further review is planned for March 2015 in conjunction with a staff survey co-ordinated by the Staff Voice. A number of services are externally accredited against specific standards. Food Safety's ISO9000 quality management system was re-accredited during the year. In addition, Housing & Property Services achieved the Telecare Services Association's Platinum Standard and Cultural Services' leisure centres continue to be Approved Training Centres for the Institute of Qualified Lifeguards. The Plain English Campaign awarded the Council website its Internet Crystal Mark standard. The Council also received during the year the 'Positive about

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Disability' Award for its employee recruitment and selection processes. The Council's website was also awarded Digital Accessibility Centre Accreditation.

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 Governance issues that are identified for improvement are set out below. The actions have been identified from the processes involved in producing the statement (e.g. meeting with committee chairs) and from the sources of evidence supporting it (e.g. service assurance statements).
1. All constitution-related documents that have not been reviewed in the previous twelve months to be reviewed. (para. 3.4.1 above)
 2. Service-specific contract management training to be delivered to relevant managers. (para. 3.6.2)
 3. Procurement training to be provided to new Members. (para. 3.6.3)
 4. Service risk registers to be reviewed by service management teams and portfolio holders on at least a quarterly basis. (para. 3.6.11)
 5. Business Continuity Plans for services to be updated. (para. 3.6.13)
 6. Budget monitoring systems to continue to be improved. (para. 3.8.4)
 7. Training to be provided to Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively. (para. 3.10.5)
 8. The Code of Corporate Governance to be reviewed and updated. (Brought forward from last year.) (para. 4.4.1)
 9. To ensure that the necessary management actions emanating from the internal audit reviews of Corporate Procurement, Shared Legal Services and Section 106 Agreements (which all received moderate assurance opinions) are acted upon in accordance with the required timescales. (para 4.7.3)
- 5.2 We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Andrew Mobbs
Leader of the Council

Chris Elliott
Chief Executive

Dated:



Grant Thornton

An instinct for growth™

A guide to local authority accounts

March 2014



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Introduction

This guide is designed to help members of audit committees discharge their responsibilities for the financial statements. It aims to help them understand and challenge the accounts, supporting notes and other statements.

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. They also play a key role in ensuring accountability and value for money are demonstrated to the public.

However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government. IFRS provides a comprehensive framework (over 3,000 pages of mandatory requirements) for the production of financial statements in the public and private sector. This framework is continually being refined.

We have prepared this guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

“It sounds extraordinary, but it's a fact that balance sheets can make fascinating reading.”

Mary Archer
British scientist



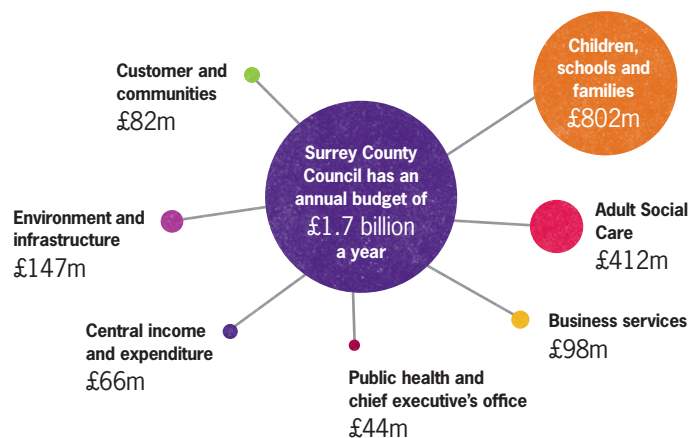
Explanatory foreword

The purpose of the explanatory foreword is to provide a commentary on the financial statements. It should include an explanation of key events and their effect on the financial statements.

The information included in the explanatory foreword should not be a surprise and should be familiar to you from the budget reports provided during the year. The explanatory foreword should therefore ideally also reconcile the year end financial position reported to members (the outturn) to the statutory financial accounts.

However, in a recent survey on governance, conducted by Grant Thornton, 40% of respondents did not agree that the explanatory foreword aids public understanding of local government accounts. Too often, explanatory forewords repeat key elements of the accounts and run the risk of being overly long, rather than provide a clear commentary in plain English. This indicates there is still some way to go before the explanatory foreword achieves its purpose.

Key financial information should be clearly explained and authorities should consider the best way to present it. Below is an example of the presentation of financial information that we consider to be helpful.



Challenge questions

- 1 Does the explanatory foreword provide a clear summary of the authority's financial performance and financial position at the year end?
- 2 Is the summary in line with your expectations? Is the financial performance in line with budget reports? Are the key events described in the explanatory foreword those you expected to see?
- 3 Can you trace the figures to the financial statements? Are they consistent?
- 4 If last year's figures have been restated, is the reason clearly explained?
- 5 Is there a better way that this information could be presented or communicated?

For more information, see **Grant Thornton's Local Government Governance Review 2014**



Annual governance statement

The annual governance statement (AGS) sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS should give the reader a clear sense of the risks facing the authority and the controls in place to manage them.

While the AGS is prepared by the authority at the end of the year, it should be built up from processes designed, run and tested throughout the year. There should be no surprises for members of the audit committee as all of the issues described should already have been discussed. However, surprises can occur if the first sight of the document is not until June. We recommend making the AGS an iterative document which is presented in draft to audit committee members towards the end of the calendar year.

The AGS should be consistent with:

- the rest of the financial statements
- internal audit findings
- the results of any external inspections of the authority during the year.

Challenge questions

- 1 Is the content of the AGS consistent with your knowledge of the operations of the authority over the year?
- 2 Does the AGS succinctly describe the control environment in an understandable way?
- 3 In particular, does the AGS include:
 - all significant risks that you were aware of during the year?
 - the actions the authority is taking to address the identified risks?

Only 65% of respondents to our survey agreed that the AGS helps the public to understand how the organisation manages risk.



Movement in reserves statement

Reserves represent the authority's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.

Usable reserves

- Result from the authority's activities
- Can be spent in the future
- Include:
 - general fund
 - earmarked reserves
 - capital receipts reserve

The level of usable reserves, the spending plans of the authority and other sources of funding will determine how much council tax needs to be raised.

The movement in reserves statement (MIRS) analyses the changes in each of the authority's reserves from year to year. It should be clear to see what has caused the movement in each reserve. The statement shows:

- **opening balances** – these should be the same as the previous year's closing balances
- **total income or expenditure for the year** – this should agree with the comprehensive income and expenditure account
- **statutory transfers between reserves** – these are made as the result of regulation
- **voluntary transfers between reserves** – these are made as the result of the authority's decisions
- **closing balances** – these should agree to those on the balance sheet.

Transfers between reserves should not result in a change in the overall level of reserves.

Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include:
 - pensions reserve
 - revaluation reserve
 - capital adjustment account

Statutory transfers are adjustments that are made to usable reserves to:

- remove transactions that are required by accounting standards
- add transactions required by statute.

For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute requires that all capital transactions are removed from the general fund. Depreciation is therefore taken out of the general fund and replaced with the minimum revenue provision (MRP). The MRP represents the authority's estimate of how much it should contribute to capital expenditure each year and is approved by members at the start of every year.

Voluntary transfers include the earmarking of reserves. Members may choose to earmark reserves, putting aside cash to deliver specific longer-term objectives, such as the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out.

Challenge questions

- 1 Are the movements in the two types of reserves shown in separate tables?
- 2 Do the opening balances agree with last year? Have any restatements been clearly explained?
- 3 Do the figures in the MIRS agree to the comprehensive income and expenditure statement?
- 4 Can you trace the figures in the MIRS to the relevant notes? Do the notes adequately explain the major movements?
- 5 Are the purposes of the material earmarked reserves consistent with the authority's objectives and the authority's decisions?

For more information, see **Grant Thornton's Approving the MRP Policy**



Comprehensive income and expenditure statement

The comprehensive income and expenditure statement (CIES) reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit.

The CIES is sometimes described as a ‘film’ of all the transactions in the year. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

The CIES shows the accounting position of the authority before statutory overrides are applied. It analyses income and expenditure based on services. This means that it does not have the same headings you see in commercial financial statements.

The standard format of the CIES means that it will differ from the layout in your budget book, which will be based on your authority’s own activities and internal reporting needs. A note to the accounts should reconcile the figures reported internally to those included in the CIES.



Five broad sections within the CIES

Cost of services	Presented in a standardised format as set out by the 'Service reporting code of practice for local authorities'. Includes service specific income and expenditure. Any large and/or unusual items which may affect the reader's view of the accounts should be disclosed separately.
Other operating income and expenditure	Includes the surplus or deficit from the sale of property, plant and equipment.
Financing and investment income and expenditure	Includes interest payable and receivable.
Taxation and general grant income	Includes revenue from council tax and the revenue support grant.
Other comprehensive income and expenditure	Items which are not allowed to be accounted for elsewhere in the CIES, such as increases in the value of land and buildings and changes in the actuarial assessment of pension liabilities.

Challenge questions

- 1 Does the CIES reflect the financial performance of your authority as you know it?
- 2 Have there been significant changes year on year? If so, are these clearly explained?
- 3 Is there a detailed note to reconcile the CIES to budget reports? Is it easy to find? Can you trace the figures through?



Balance sheet

The balance sheet is a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March.

The balance sheet is always divided into two halves that should, as the name suggests, balance:

- assets less liabilities (the top half)
- reserves (the bottom half).

Non current assets including:

- **property, plant and equipment**
- **heritage assets**
- **intangible assets**
- **investment property**

Non-current assets have a life of more than one year. For most authorities the biggest balance by far is property, plant and equipment. These are tangible assets that are used to deliver the authority’s objectives. With some exceptions they need to be shown at a value based on market prices. Changes in valuations are matched by changes in reserves (generally the revaluation reserve). The cost of property, plant and equipment is spread over the period in which it is used by charging depreciation.

Current assets

Includes cash and other assets that, in the normal course of business, will be turned into cash within a year from the balance sheet date. Other assets include investments, non-current assets held for sale, inventories and debtors.

Current liabilities

Comprises short-term borrowing, trade creditors, amounts owed to other government bodies and receipts in advance. Receipts in advance arise when the authority receives income this year for expenditure it will incur, or services it will provide, in future years.

Long-term liabilities

Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority’s pension obligations earned by past and current members of the pension scheme.

Provisions

Represent future liabilities of the authority, but there is uncertainty about how much the authority owes or when it will have to pay.

Reserves

These are usable and unusable reserves.

Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?
- 3 Are the changes in property, plant and equipment what you would expect, based on any major disposals of assets, the authority’s capital programme and movements in market prices?
- 4 Are movements in investments and borrowing consistent with the authority’s treasury plans and with the cash movements in the cash flow statement?
- 5 Are the reasons for provisions and details of how they have been calculated clearly shown?
- 6 Do the reserves in the balance sheet agree to the balances in the movement in reserves statement?

Other statements

A number of other statements will be included within the financial statements, though not all will be relevant to every authority.

Cash flow statement	<p>Sets out the authority's cash receipts and payments during the year, analysing them into operating, investing and financing activities.</p> <p>Cash flows are related to income and expenditure, but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, not when the cash was paid or received.</p> <p>The Local Authority Code of Practice allows two different methods of presentation to be used, and therefore formats may vary between neighbouring authorities.</p>
Collection fund	<p>Shows the transactions in respect of council tax and business rates during the year.</p>
Housing revenue account	<p>Shows the transactions in respect of council housing during the year. It is ring-fenced, so it cannot subsidise or be subsidised by other activities.</p>
Pension fund accounts	<p>Included within the financial statements of a pension fund administering authority, such as a county or unitary council. Shows the transactions and net assets/liabilities of the pension fund as a whole.</p>
Group accounts	<p>Prepared if the authority has a significant subsidiary, such as a local authority trading company. Shows the combined income and expenditure and balances of all the constituent bodies.</p>

Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?



Additional disclosures

The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and are rarely written in plain English.

However, additional disclosures include important information and provide the context for the figures in the primary financial statements.

Accounting policies	Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should: <ul style="list-style-type: none">• provide additional information where needed• remove accounting policies that are not relevant or apply to immaterial amounts.
Critical judgments	Show the key areas where officers have made judgements about the application of accounting policies. For example: <ul style="list-style-type: none">• classification of leases and public finance initiative (PFI) schemes• identification of provisions• impairment of assets. The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.
Estimates	The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.
Property, plant and equipment	Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.
Leases and PFI schemes	Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.
Employee remuneration	Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.
Contingent liabilities	Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

Challenge questions

- 1 Have you already seen and been able to comment on the proposed accounting policies?
- 2 Are you comfortable with the critical judgements disclosed?
- 3 Do the figures reported in the financial statements agree to those included in the relevant notes?
- 4 Are the notes easy to find and follow?
- 5 Is too much information included? Could it be better presented?

And finally...

Once you have completed your review of the detail, you may wish to reflect upon the financial statements as a whole and what could be done to improve the process for future years.

About the financial statements

- 1 Are they clear, concise and easy to follow?
- 2 Are they presented in the best format? Could graphs or diagrams be used to help explain information more easily?
- 3 Is detailed information on the most important items easy to find?
- 4 Are technical terms explained in plain English? Is there a glossary?
- 5 Is it clear how a reader could find out more information?
- 6 Where are the accounts to be published? Are they easy to find?

About the process

- 1 Does your authority recognise that producing robust financial statements is important for strong financial governance?
- 2 Has your authority set targets to produce shorter, clearer, earlier financial statements?
- 3 What support can you give your officers to meet these challenges? Do they have sufficient resources? Are they given enough support from senior management?
- 4 What support do you need to help you discharge your responsibilities? Are there any areas in which you need training?

For more information, see
**Grant Thornton's
Declutter your
accounts – top
10 tips**



**CIPFA's Financial
statements: a
good practice
guide for local
authorities**



About us

Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 25 locations nationwide. While we understand regional differences and can respond to needs of local authorities, our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well established market in the public sector, and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students and our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market, and are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients.

We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county

councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities.

This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

Our approach combines a deep knowledge of local government, supported by an understanding of wider public sector issues, drawn from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector.

We take an active role in influencing and interpreting policy developments affecting local government and responding to government consultation documents and their agencies. We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.

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EPI1074



GUIDE TO INTREPRETING THE PRIMARY STATEMENTS OF ACCOUNTS

1. INTRODUCTION

- 1.1 This appendix is intended to provide a rough guide to the four primary statements included within the Statement of Accounts.

2. MOVEMENT IN RESERVES STATEMENT

- 2.1 This statement, on page 10 of the statements, shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Movement in Reserves Statement	£000	
Balance at 31 March 2014 c/fwd	1,502	
<u>Movement in Reserves 2014/15</u>		
Surplus or (Deficit) on provision of services	(3,877)	General Fund share of the Surplus or Deficit. The HRA share is in a separate column
Other Comprehensive I & E	0	
Total Comprehensive I & E	(3,877)	
Adjustments between accounting basis and funding basis under regulations	6,987	Statutory adjustments such as replacing depreciation with MRP, pension liabilities with contributions, etc.
Net Increase / (Decrease) before Transfers to Earmarked Reserves	3,110	Surplus / (Deficit) for year
Transfers (to) / from Earmarked Reserves	(2,508)	Offset by transfers to earmarked reserves
Increase / (Decrease) in Year	602	Gives the change in the General Fund balance over the year
Balance at 31March 2015 c/fwd	2,104	

- 2.2 The 'Surplus or (Deficit) on the provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.
- 2.3 The 'Net Increase / (Decrease) before transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

- 2.4 An overall increase in usable reserves despite a loss being shown in the CIES normally means that there is a corresponding change in unusable reserves as for example MRP charges are replaced with depreciation and impairment. The difference will be reflected in the Capital Adjustment Account. Increases in Unusable Reserves such as the Pensions Reserve will need to be funded in the future, even if it is over a long period, placing an increasing burden on future taxpayers.
- 2.5 Reserves – including the General Fund and the Housing Revenue Account – are an indication of the resources available to an authority to deliver services in the future. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.
- 2.6 Information on the level of reserves can be found in the Balance Sheet and related notes, and in the Movement in Reserves Statement and related notes. This latter statement will be more useful in explaining the changes that have taken place during the year, including contributions to and from earmarked reserves.

3. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

- 3.1 This statement can be found on page 11 of the Statements and shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	
Cost of Services	61,464	(71,992)	(10,528)	Reconciles to the Segmental Reporting Note
Other Operating Expenditure	3,786	0	3,786	
Financing and Investment I & E	7,113	(995)	6,118	Includes income and expenditure relating to Investment Properties and also change in market value of Investment Properties (-£465,000 in 2014/15)
Taxation and Non- Specific Grant Income	0	(18,245)	(18,245)	Includes capital grants and contributions received in year (£1,139,000 in 2014/15)
(Surplus) / Deficit on Provision of Services (Surplus) or Deficit on revaluation of non- current assets			(18,869)	
			(2,043)	
Actuarial (gains) / losses on pension assets / liabilities			8,841	
Other Comprehensive Income & Expenditure			7,798	
Total Comprehensive Income & Expenditure			(11,071)	

4. THE BALANCE SHEET


- 4.1 The Balance Sheet, on page 12, shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- 4.2 Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- 4.3 The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are

sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

5. CASH FLOW STATEMENT

- 5.1 The Cash Flow Statement, on page 13, shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority.
- 5.2 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.
- 5.3 Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Notes	2014/15 £000	
Net (Surplus) or deficit on the provision of services		(18,869)	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjust net (surplus) or deficit on the provision of services for noncash movements		5,469	
Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		3,243	3 groups of transactions:
Net cash flows from Operating Activities	23	(10,157)	• Operating
Investing Activities	24	5,005	• Investing
Financing Activities	25	524	• Financing
Net (increase) or decrease in cash and cash equivalents		(4,628)	
Cash and cash equivalents at the beginning of the reporting period		(18,686)	Cash and cash equivalents figure in the Balance Sheet
Cash and cash equivalents at the end of the reporting period		(23,314)	

 Finance & Audit Scrutiny Committee 28 July 2015		Agenda Item No. 6
Title	Grant Thornton Audit Committee Update	
For further information about this report please contact	Mike Snow Tel 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	16/7/2015	Andy Jones
Head of Service	16/7/2015	Mike Snow
CMT	16/7/2015	
Section 151 Officer	16/7/2015	Mike Snow
Monitoring Officer	16/7/2015	Andy Jones
Finance	16/7/2015	Mike Snow
Portfolio Holder(s)	16/7/2015	Cllr Peter Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 The attached report has been prepared by the external auditors, Grant Thornton. It details the work they have been undertaking for the Council as well as emerging issues.

2. **Recommendation**

- 2.1 That the Committee note the report.

3. **Reasons for the Recommendation**

- 3.1 The external auditors have been undertaking work in preparation for the 2014/15 Accounts. In addition, they have been unable to complete all work required to complete the 2013/14 audit and issue the relevant audit certificate as detailed in their report.

- 3.2 The Grant Thornton report also discusses the following issues:-

- All Aboard? - Local Government Governance Review 2015
- Independent Commission into Local Government Finance
- DCLG – Build to rent scheme
- Provision for Business Rates Appeals
- Earlier closure and audit of accounts

- 3.3 John Gregory should be attending the meeting to answer any questions.

4. **Policy Framework**

- 4.1 **Policy Framework** – There is a legal requirement for the Council's work to be subject review by external auditors.

- 4.2 **Fit for the Future** – The work of external audit covers all elements of Fit for the future, namely money, people and services.

5. **Budgetary Framework**

- 5.1 There are no direct cost implications from this report. The work undertaken by Grant Thornton is met by the agreed Budget.

- 5.2 With the additional work undertaken to investigate the four objections to the 2013/14 accounts, there is expected to be an additional cost to the Council. A provision for this was allowed in last year's accounts. The precise cost of this additional work is expected to be determined once the auditors have been able to issue the audit certificate.

6. **Risks**

- 6.1 External audit present an important element of the Council's risk, governance and assurance framework. Accordingly, it is necessary for due consideration to be given to information provided by Grant Thornton for members.

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

- 7.1 As the report is for information only, no alternative are presented for consideration.

Audit Committee Update

Year ended 31 March 2015

July 2015

John Gregory

Director

T 0121 232 5333

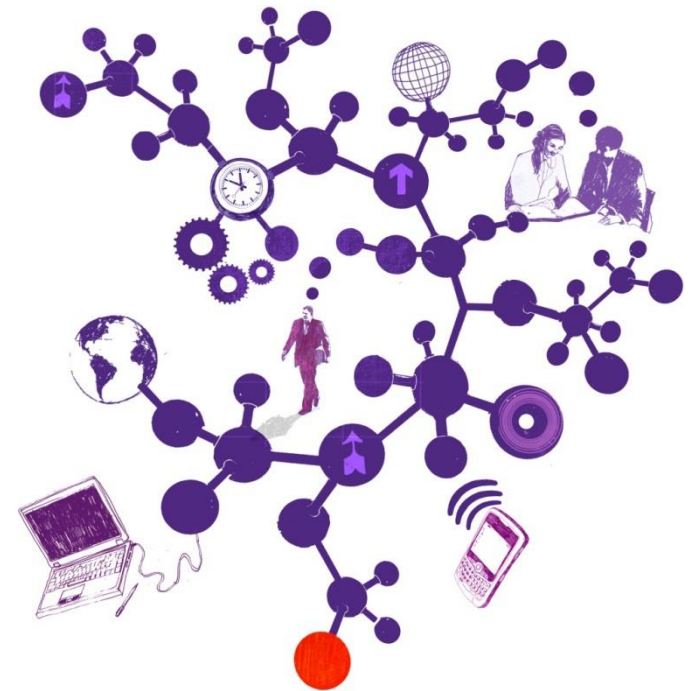
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Manager

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

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Emerging issues and developments	7

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Spreading their wings: building a successful local authority trading company
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- Creating a sustainable financial future: the report provides a summary of how current funding models have struggled and what would be needed in the future to create a sustainable model
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

John Gregory Engagement Lead T 0121 232 5333 M 07880 456 107 john.gregory@uk.gt.com
Helen Lillington Audit Manager T 0121 232 5312 M 07880 456 111 helen.m.lillington@uk.gt.com

Progress at July 2015

Work	Planned date	Complete?	Comments
2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the 2014-15 financial statements.	March 2015	Yes	Audit Plan presented to Finance and Audit Scrutiny Committee 10 th March 2015.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment, • updating our understanding of financial systems, • review of Internal Audit reports on core financial systems, • early work on emerging accounting issues, and • early substantive testing. 	February and March 2015	Yes	We have completed the work scheduled for our interim visit. Key findings from the interim audit were included within the audit plan that was presented to Finance and Audit Scrutiny.
2014-15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014-15 financial statements, and • proposed opinion on the Council 's accounts. 	August and September 2015	No	<p>We have discussed with officers the working papers required for the audit of the financial statements and formalised the request in a working paper checklist document.</p> <p>We have met with officers since the completion of the interim audit to discuss ways the accounts can be 'decluttered'. We have reviewed draft skeleton accounts and made suggestions where further streamlining could take place.</p> <p>We have met with the Head of Internal Audit and shared examples of other Annual Governance Statements, again with a view to simplification and a more streamlined version. We have commented on an early draft of the document.</p>

Progress at July 2015

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion comprises: <ul style="list-style-type: none"> • Completion of an initial risk assessment • A review of our understanding of your processes in relation to securing financial resilience • A review of our understanding of your processes in relation to securing economy, efficiency and effectiveness, • A review of key documents, such as the medium term financial plan and the risk register, and • Follow up of any residual risks raised last year. 	April and May, with a final update in September prior to giving the conclusion.	In part	The initial risk assessment has now been completed and we have requested information from officers in a number of key areas.
Other areas of work As part of the 2013/14 financial statements work we received four different objections to the accounts from members of the public. As a result we have been unable to issue the audit certificate that certifies the closure of the audit. We have now determined three out of the four objections. In each case we have issued a statement of reasons which details our view on the questions raised and why we have taken no further action.	June 2015	In part	While we have undertaken considerable work in relation to the fourth objection, we are unable to finalise this until the on-going legal processes between the Council and the objector have been concluded.
Other activity undertaken Officers have raised a number of technical accounting queries in relation to the housing revenue account.		Yes	We have provided officers with a detailed technical view on their questions.

Emerging issues and developments

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

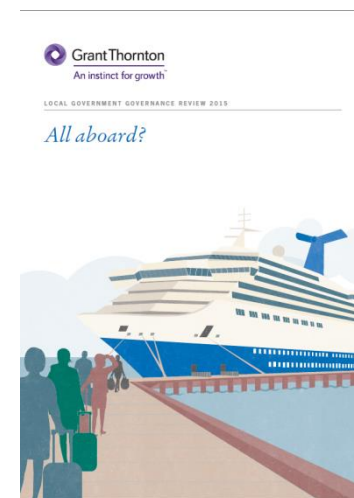
Governance of the organisation – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through many other agencies. This implies a greater role for scrutiny and a need to make sure local public sector bodies' arrangements are as transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Independent Commission into Local Government Finance

Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

Challenge question

Have members been briefed by your Head of Finance on the key findings of the Independent Commission's final report?

DCLG – Build to rent scheme

Local government issues

Housing Minister Lewis Brandon announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion [Build to Rent scheme](#), which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a [How to rent](#) guide, so tenants and landlords know their rights and what to expect when renting privately
- published a [model tenancy agreement](#), so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

Challenge question

Have members been briefed by the Head of Finance on the government's Build to Rent scheme and other aspects of its initiative to increase the private sector housing market and its implications for the authority's housing strategy?

Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Challenge questions

- Has your Head of Finance reassessed the methodology for making the business rates provision?
- Has your Head of Finance got arrangements in place for the estimation of appeals to be charged against the provision?

Earlier closure and audit of accounts

Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.




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 FINANCE & AUDIT SCRUTINY 28 July 2015		Agenda Item No. 7
Title	Review of Cultural Services Risk Register by Finance & Audit Scrutiny Committee	
For further information about this report please contact	Rose Winship Head of Cultural Services Tel: 01926 456223 email: rose.winship@warwickdc.gov.uk or Richard Barr Audit & Risk Manager Tel: 01926 456815 email: richard.barr@warwickdc.gov.uk	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	9 July 2013 – Finance & Audit Scrutiny Committee	
Background Papers	WDC risk management policy & guidelines	
Contrary to the policy framework:	No	
Contrary to the budgetary framework:	No	
Key Decision?	No	
Included within the Forward Plan? (If yes include reference number)	No	
Equality & Sustainability Impact Assessment Undertaken	N/A: no direct service implications	

Officer/Councillor Approval		
With regard to report approval all reports <i>must</i> be approved as follows		
Title	Date	Name
Chief Executive/Deputy Chief Executive	26/6/2015	Andrew Jones
Head of Service	26/6/2015	Rose Winship
CMT		
Section 151 Officer	26/6/2015	Mike Snow
Monitoring Officer	26/6/2015	Andrew Jones
Finance	26/6/2015	As per S151 Officer
Portfolio Holder(s)	26/6/2015	Cllr Sue Gallagher
Consultation & Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 **SUMMARY**

- 1.1 This report sets out the process for the review by Finance & Audit Scrutiny Committee of the Cultural Services Risk Register.

2 **RECOMMENDATIONS**

- 2.1 That Finance & Audit Scrutiny Committee should review the Cultural Services Risk Register attached at Appendix 1 and make observations on it as appropriate.

3 **REASON FOR THE RECOMMENDATIONS**

- 3.1 To enable members to fulfil their role in managing risk (see section 8, below).

4 **POLICY FRAMEWORK**

- 4.1 The Cultural Services Risk Register is part of the Council's corporate risk management framework. The Register reflects the Council's corporate priorities and key strategic projects that are contained in Fit for the Future.

5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, risk management performs a key role in corporate governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.
- 5.2 The risk register sets out when the realisation of risks might have financial consequences. One of the criteria for severity is based on the financial impact.

6 **RISKS**

- 6.1 The risks are contained in the Service's Risk Register, set out as Appendix 1.

7 **ALTERNATIVE OPTION(S) CONSIDERED**

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

8 **RESPONSIBILITY FOR RISK MANAGEMENT**

- 8.1 In its management paper "Worth the risk: improving risk management in local government", the Audit Commission sets out clearly the responsibilities of members and officers:

"Members need to determine within existing and new leadership structures how they will plan and monitor the council's risk management arrangements. They should:

- decide on the structure through which risk management will be led and monitored;
- consider appointing a particular group or committee, such as an audit committee, to oversee risk management and to provide a focus for the process;
- agree an implementation strategy;
- approve the council's policy on risk (including the degree to which the council is willing to accept risk);
- agree the list of most significant risks;
- receive reports on risk management and internal control – officers should report at least annually, with possibly interim reporting on a quarterly basis;
- commission and review an annual assessment of effectiveness: and
- approve the public disclosure of the outcome of this annual assessment, including publishing it in an appropriate manner.

The role of senior officers is to implement the risk management policy agreed by members.

It is important that the Chief Executive is the clear figurehead for implementing the risk management process by making a clear and public personal commitment to making it work. However, it is unlikely that the Chief Executive will have the time to lead in practice and, as part of the planning process, the person best placed to lead the risk management implementation and improvement process should be identified and appointed to carry out this task. Other people throughout the organisation should also be tasked with taking clear responsibility for appropriate aspects of risk management in their area of responsibility."

9 **BACKGROUND**

9.1 Executive agreed on 11th January 2012 that:

- (a) Portfolio Holders should review their respective Service Risk Registers quarterly with their service area managers.
- (b) Portfolio Holder Statements should include each service's top three risks.
- (c) Executive should note the process for the review by Finance & Audit Scrutiny Committee of service risk registers.
- (d) The relevant Portfolio Holders should attend the Finance & Audit Scrutiny Committee meetings at which their respective service risk registers are reviewed.

9.2 The full framework endorsed by Executive at that meeting is set out as Appendix 3.

9.3 Risk registers are in place for all significant risks facing service areas in the provision of their services. In addition to service risk registers for all service areas there is the Significant Business Risk Register that contains the organisation's corporate and strategic risks (the latest version of this being presented to the January Executive meeting).

10 **CULTURAL SERVICES RISK REGISTER**

10.1 **Introduction**

- 10.1.1 The latest version of the Cultural Services Risk Register is set out as Appendix 1 to this report. The register was last reviewed on 15th June 2015.
- 10.1.2 The scoring criteria for the risk register are subjective and are based on an assessment of the likelihood of something occurring, and the impact that might have. Appendix 2 sets out the guidelines that are applied.
- 10.1.3 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse is true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks are within the area shaded red, whilst the latter-described set of risks are within the area shaded green; the mid-range are in the area seen as yellow.

10.2 **Overview of Cultural Services Risk Management**

- 10.2.1 The Cultural Services Risk Register is owned and managed by Cultural Services Management Team (CSMT) and the Portfolio Holder for Culture. The register is reviewed on a regular basis by CSMT and is discussed on a regular basis by Head of Cultural Services and Portfolio Holder at their one-to-one meetings
- 10.2.2 Amendments to existing risks are made to the register as appropriate and when any new risks are identified. Any changes to risks are shown on the matrix attached as Appendix 1, allowing officers to track the history of the risk and the impact of mitigation.
- 10.2.3 The Cultural Services Risk Register includes the significant business risks across the service; some of these are common across the service and others, given the broad range of services, are very specific to a particular part of the service. Sitting beneath this Risk Register are a series of very detailed risk assessments within each part of the service which identify the day to day risks which exist within the service. In general terms these are health & safety risks relevant to the type of service being provided and include, risks to customers, staff and contractors visiting or working in our venues.
- 10.2.4 Individual officers in Cultural Services have a role to play in managing these risks, and each area of the service has an officer who takes the lead on ensuring that Health & Safety risk assessments are kept up to date and new assessments are carried out when new activities are introduced. These lead officers are supported by the Council Health & Safety Advisor who monitors risk assessments. The Head of Cultural Services undertakes an annual audit of "health & safety" across the service area. A number of the Cultural Services team have completed their IOSH Managing Safely Certificate and further training will take place at an appropriate time to offer the opportunity for more staff to gain this very useful qualification and reinforce the culture of "managing safely" across the service area.

10.3 Cultural Services Risks

- 10.3.1 Cultural Services is responsible for the provision of a wide range of diverse services. The risk register (Appendix 1) includes generic risks at the top of the document, followed by risks specific to the three areas of the service.
- 10.3.2 There are 41 risks contained in the Risk Register; 20 are service-specific risks and 21 are generic risks. There are currently 4 risks in the "red zone", two of which have moved into the "red" since the last review. Details of these risks are described in 10.3.3. One risk has moved from the "red" to the yellow since the last review. The table below summarises changes since the last review:

Risk	Previous residual risk rating	New residual risk rating
Generic risks		
Potential for financial loss through cash handling and banking procedures æ	6	8
Unauthorised access to buildings	12	8
Unplanned loss of operational staff æ	6	8
Failure of a major contract (1)	16	12
Sports and Leisure		
Failure of plant/machinery æ	10	15
Failure of major contract (2) æ	8	16
Spa Centre & Town Hall		
Staffing gaps – inability to operate venues	5	4
Loss of Databox ticketing system æ	6	9
Theatre plant/lighting failure æ	5	10

- 10.3.3 The following major risks that have been identified at this point in time:-

Plant Failure

The Council undertook a Condition survey of all of its assets and selected items of plant and equipment in 2013. The results of the survey identified the life expectancy of key items of plant which are essential for the operation of a number of our buildings. As a result, it was felt that the risk rating for this element of the service needed to be increased to reflect the age and condition of these items, and the increased likelihood that at some point the plant could fail. Housing and Property Services are developing a programme of replacement for key plant; this, however, needs to be done in line with other pieces of work that are considering the future use of some of these assets. Any replacement schedule is also related to the investment proposals being developed as part of the Leisure Development Programme which will require significant replacement of plant to service any extended facilities.

Failure of Golf contract

The golf course at Newbold Comyn is operated by an external contractor under contractual arrangements which extend to 2060. The contractor is experiencing difficult trading conditions and is in discussions with officers regarding what can be done to address this.

Flood threat at Royal Pump Rooms

The riverside location of the Royal Pump Rooms leaves it vulnerable to flooding after periods of heavy rain. Historically the site and buildings have experienced flooding, and have led to well-established procedures to limit the damage caused should this situation occur in future. Flood defences are installed in the building to protect the art store and temporary gallery; early warnings are received from the National Floodline Services, and procedures are in place to alert staff out of hours should this be required.

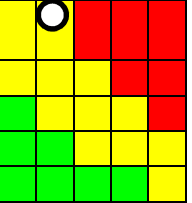
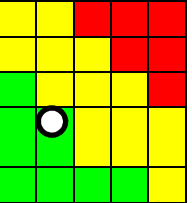
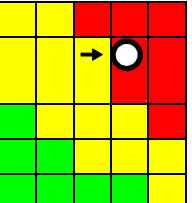
Leaks into the Royal Pump Rooms from roof

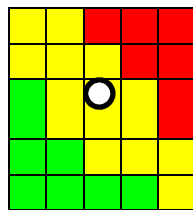
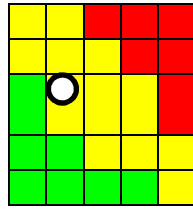
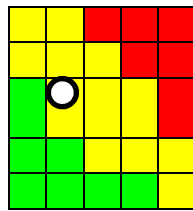
Again, at times of heavy rain, water penetrates the flat roof above the gallery. The condition of the roof was identified by the EC Harris Condition Survey, and verified by the Housing and Property Services team. No decision has been made on remedial work or a replacement roof, and this will not be done until the medium/long term future of the Royal Pump Rooms is confirmed. In the meantime, a schedule of regular roof inspections has been agreed and Housing and Property Services are considering options for the future in respect of roof design and relocation of plant currently installed on the roof. Until the time that a decision is made regarding a new roof, this significant risk will remain.

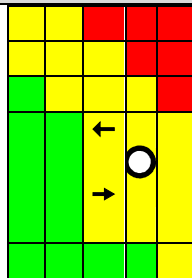
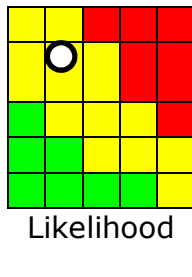
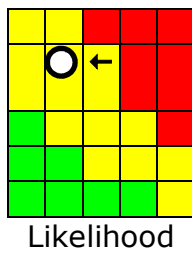
10.4 Review of Risk Register by Members

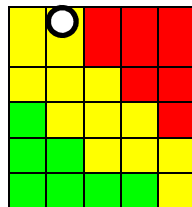
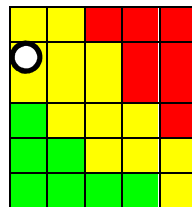
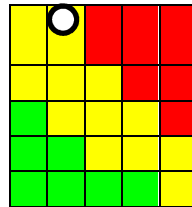
- 10.4.1 It is proposed that Members should review the risk register set out as Appendix 1, confirming that risks have been appropriately identified and assessed and that appropriate measures are in place to manage the risks effectively. Members may wish to challenge the Portfolio Holder and the Head of Cultural Services on these aspects and assure themselves that their risk register is a robust document for managing the risks facing the service.

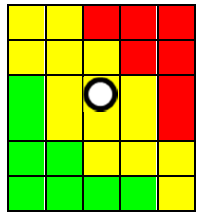
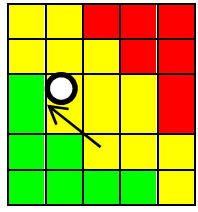
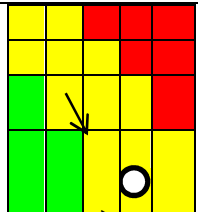
Cultural Services Risk Register

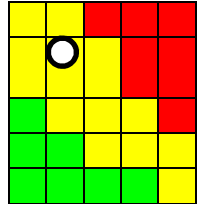
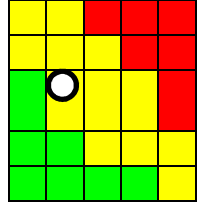
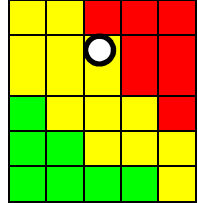
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Generic Risks						
Loss or major damage to operational buildings	Fire Floods and storms Gas explosion Vandalism Civil unrest	Danger to occupants Non-availability of service Additional expenditure/loss of income Loss of customers	Business Continuity plans (CSMT) Normal operating procedures/ emergency Action Plans (Section Heads & building managers)	On-going review of Fire Risk Assessment procedures – corporate project	Corporate Compliance Group	 Likelihood
Unplanned unavailability of R/H offices	Power failures Emergencies/ incidents Floods	Minimal disruption to service. Possible loss of data (hard copies).	WDC corporate approach for relocation of services. Some accommodation at other CS sites		Head of Cultural Services	 Likelihood
Plant failure	Mechanical breakdown; structural failure. Equipment nearing end of life (EC Harris report)	Loss or restriction of service Health & safety risks Potential for damage to assets and high value items	Building Energy Management system. PPM - regular service by contractors or WPM	Implementation of replacement programme based on 2013 Condition Survey (2015/16 onwards) Plan replacement of motors and dimmers – Royal Spa Centre (Summer 2016 installation)	Asset Manager & Energy Manager with building managers	 Likelihood Based on Condition survey evidence suggests some items nearing end of life.

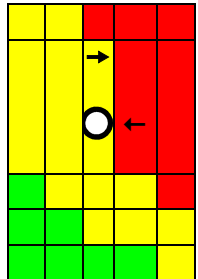
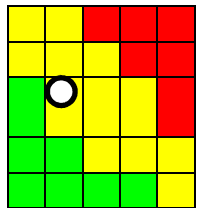
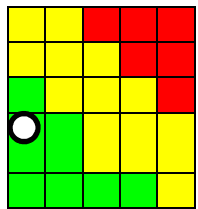
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Loss of power/water	Local or external interruption to supply; power surge; failure of piece of equipment	Loss or restriction of service.	PPM - regular service by contractors or WPM (Building Managers & Energy Manager)	Implementation of replacement programme based on 2013 Condition Survey(2015/16 onwards) Plan replacement of motors and dimmers – Royal Spa Centre (Summer 2016 installation)	Asset Manager & Energy Manager & building managers	 Likelihood
Loss of Data	Sabotage Malfunctions Inadequate staff training Loss of skilled people	Loss of income Breakdown of Service Loss of Reputation Disruption to forward planning Financial cost of recovery	Back-up processes and software assurance (Section heads) Staff training (Section Heads) IT Support (ICT) Maintenance agreements Section Heads) Copy of Licences (Section Heads)		Section Heads with ICT	 Likelihood
Failure to comply with Council Policy and/or legislation	Lack of training for staff Failure to monitor staff Dishonesty	Staff resources tied up in investigations Reputational cost Poor service and complaints Loss of income Financial Effects	Legal and Financial controls (ICT) Supervision and monitoring (building managers) Audit inspections (Finance & building managers)		Head of Cultural Services and Section Heads	 Likelihood

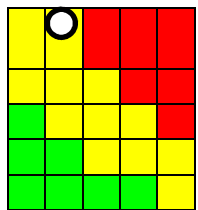
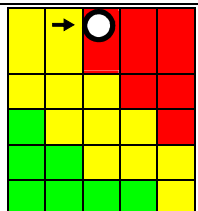
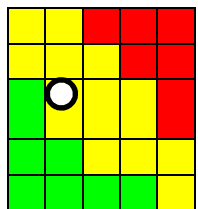
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Potential for financial loss through cash handling and banking procedures	Weak procedures Incomplete staff training Dishonesty Inaccurate record keeping New on Line Reconciliation (OLR) processes to be implemented	Financial loss Reputational loss Risks of threats to staff	Double-signing for staff cashing up (Building Managers) Contracts with G4S for banking and change supply Section Heads) Review of processes re G4S following minor incidents summer 2013 (Section Heads)	Ongoing OLR training for staff at Spa Centre and leisure centres. (Awaiting dates from Finance for roll out of OLR)	Section Heads	 <p>Likelihood</p> <p>Increased likelihood until OLR implemented</p>
Credit card fraud	Dishonesty; lack of robust procedures	Loss of income; complaints re loss of public funds; Disciplinary action	PCI DSS controls and review of processes; ICT training; clear nominated users of ICT systems New systems in place to comply with PCI DSS	Ensure any new booking systems in future comply with PCI DSS - ongoing	Section Heads with ICT	 <p>Likelihood</p>
Unauthorised access to buildings	Failure to check visitors ID Lack of access control Lack of staff awareness	Theft/vandalism Staff and customers at risk Loss of income through non payment	Audit (Business Support Manager) Physical barriers to control entry where applicable (Building Managers) Staff training (Building Managers) Key codes/access control methods regularly changed (Building Managers) Normal operating procedures and supervisors guidelines		Building Managers	 <p>Likelihood</p> <p>Building managers worked with frontline staff to reinforce need for vigilance.</p>

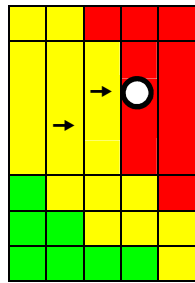
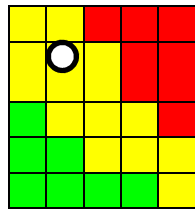
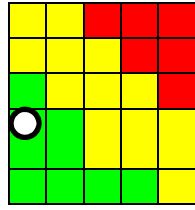
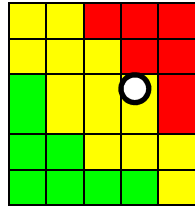
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Accidents to staff and customers	Lack of health & safety good practice; unpreventable accidents	Loss of business Liability claims Loss of reputation Loss of staff working time	H&S audits (H&S reps & building managers) Accident reporting (building managers) Staff training (Section heads)		Building Managers	 Likelihood
Abuse/ attacks on staff	Theft Vandalism Lone working Lack of training and knowing how to deal with situations	Staff injury Loss of staff time at work Stress Loss of confidence	Staff training and awareness, staff following guidelines of Normal Operating Procedures and Risk Assessments (Section Heads & Building Managers). Acceptable Behaviour Policy developed for leisure centres. Toolbox talk delivered for staff. Shared across Cultural Services. Lone working procedures (Building Managers)		Section Heads and Building Managers	 Likelihood
Legionella in operational buildings	Poor PPM Poor record keeping Lack of procedures Design of pipework Poor staff awareness	Serious public health issues/death Litigation and reputational risk Business risk	Legionella policy (Energy Manager & Safety Advisor) Staff training (Building Managers) Operational procedures (Building Managers) Senior officer group New corporate contract for maintenance - Hertel (summer 2014)	Conclude discussions re Active H/MIS system to allow all remote site managers to be able to view documents/records – summer 2015	Corporate Compliance Group	 Likelihood

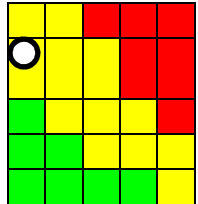
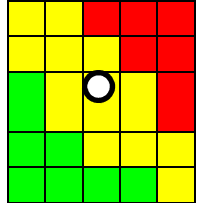
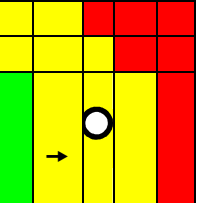
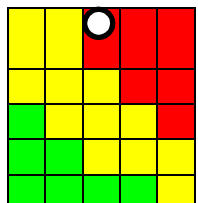
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Loss of WDC network	Technical failure Floods Power cuts	Loss of data; Loss of phones reduced services; slow communication	Back up processes (ICT) Business continuity plan (HoCS) Manual processes in place where appropriate (Section Heads) Mobile phones	Following loss of network on 11 th May – RSC and Town Hall reviewing their BCP to address unavailability of Box Office and website	ICT and Building Managers	 Likelihood
Loss of key management staff	Market forces; Illness Retirement Career progression	Loss of skills Impact on remaining staff Loss of experience Reduced standards of service	Continued staff development to increase internal promotion opportunities (Section Heads) Succession planning (Section Heads & HoCS) Sharing of information (CSMT)		Head of Cultural Services and Section Heads	 Likelihood
Unplanned loss of operational staff	Market factors - e.g. low pay Dissatisfaction, low morale Lapse of qualifications Disciplinary or dispute Illness	Restricted service or delay	HR procedures (Section Heads) Notice periods (Section heads & HR) Appraisals and 1:1 meetings (All Managers) Training matrix of qualifications (Section Heads)	Ongoing communications to sports and leisure site staff to ensure they are kept informed/engaged in process	Section Heads and Building Managers	 Likelihood Increased likelihood until decisions made on future provision in Sports & Leisure

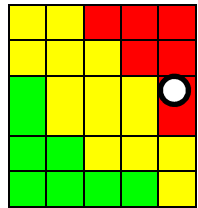
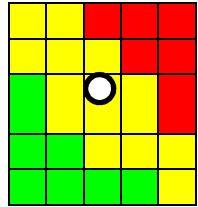
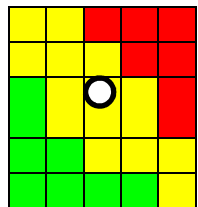
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Non-compliant procurement	<p>Lack of understanding of procurement policy.</p> <p>Urgency of procurement forces urgent action - without the necessary approval</p> <p>Procurement cards replacing petty cash</p>	<p>Non-compliant contracts awarded or cancelled at last minute.</p> <p>Risk of challenge to WDC.</p> <p>Loss of reputation of WDC</p> <p>Potential financial cost</p>	<p>Budget managers aware of Code of Procurement Practice and their roles within it.</p> <p>Training completed for budget holders (Section Heads)</p> <p>On-going advice from Procurement Officers (Section Heads)</p> <p>Contracts register completed and monitored</p>	Ongoing management and monitoring of Contracts Register	Section Heads and Budget Managers	 <p>Likelihood</p>
Failure to manage budgets	<p>Unauthorised spending on codes without sufficient budget.</p> <p>Poor budget management</p> <p>Lack of compliance with Code of Financial Practice</p> <p>Incorrect raising and management of annual orders</p>	<p>Financial loss to the Council</p> <p>Disciplinary action</p>	<p>Budget managers attend training by Finance team (Section Heads)</p> <p>Budget managers and Accountants monthly budget monitoring now well established (Budget Managers)</p>		Budget Managers	 <p>Likelihood</p>
Withdrawal of partners	<p>Change of strategic objectives of partners</p> <p>Economic pressures</p>	<p>Loss of external funding</p> <p>Inability to deliver specialist services</p>	<p>Maintain strong relationships with key partners (Section Heads & HoCS)</p> <p>Forward planning within partnerships (Section Heads & HoCS)</p>		Section Heads	 <p>Likelihood</p>

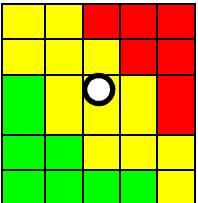
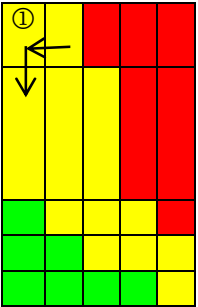
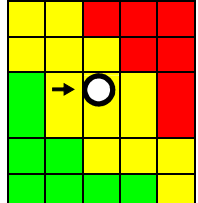
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Failure of a major contract – Kudos Catering	Financial failure Breach of contract	Loss or suspension of service Loss of income Reputational loss	On-going robust contract monitoring (HoCS & AJ) Strong partnership and relationship (HoCS & Business Support Manager) Advance planning for re-let at end of contract (HoCS) Aviary released from contract and re-let to separate local company (July 2014)		Head of Cultural Services	 Likelihood Ongoing monitoring of performance.
Management of leaseholders/tenants to ensure compliance	Failure to comply with terms of lease or agreement	Reputational damage to Council Possible litigation Loss of income	Sound management of leaseholders in partnership with Estates Manager (Section Heads) Sound legal advice from WCC		Section Heads with Estates Manager	 Likelihood
Loss of crucial suppliers of specialist goods	Various	Impact on service delivery	Consider alternative suppliers (Section Heads)		Section Heads	 Likelihood
Sports & Leisure Risks						

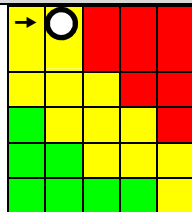
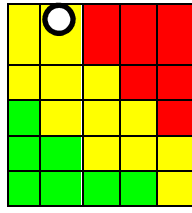
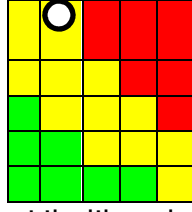
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Serious Injury, Heart attack, Loss of Life, – Pools, Gyms & Sports Halls	Accidents, Medical Conditions, Cleaning chemicals, Lack of compliance with procedures	Potential injury to staff \ users, potential loss of life, Insurance Claims, Loss of Reputation, Effects on - income, morale, & staff trauma	Normal Operating Procedures (NOP) Trained and qualified staff Admissions Policy Risk Assessments, Staff training; AED in selected sites Industry Advice (S&L Manager, Area Manager, Ops Managers)		Sports Area Manager with Ops Managers	 <p>Likelihood</p>
Plant failure	Poor maintenance, failure of components, Malfunction of equipment, Chemical leak, Water/gas leak. Equipment nearing end of life (EC Harris report and Property Service review)	Potential injury to staff/users, potential inability to maintain safe operating environment, Building Closure Revenue/reputation effects	Trained and qualified staff (WPM and pool staff). Regular maintenance of equipment (WPM) Staff manual \procedures NOP (Ops Managers)	Implement replacement programme based on 2013 Condition Survey and outcome of Options Appraisal report (November 2014) Subject to Executive decision in Sept 2015 re investment in facilities and plant	Asset Manager and Energy Manager with building managers	 <p>Likelihood</p> <p>Based on Condition survey evidence suggests some items nearly end of life.</p>
Failure to achieve income targets	Divergence of aims and intent between partners, withdrawal of funding. Limitation of Flex system to maximise income development eg online booking	Reduced community sports offering in district. Possible loss of income to Council	Formal partnership agreements in place; monthly operational meetings with partners and budget monitoring (Sports & Leisure Manager; Area Manager)		Sports Area Manager with Ops Managers	 <p>Likelihood</p>


Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Failure of Golf contract	Failure of the contract at Newbold Comyn Golf Course (under lease to 2060)	Financial impact on WDC due to loss of income from contract. Impact on operation of golf course and need to re-tender for new operator	Regular quarterly contract meetings of contractor and WDC officers responsible for managing contract. Report to Councillors on annual basis or by exception if issues emerge Ongoing dialogue with contractor to establish way forward. Legal and procurement advice being sought in considering Plan B	Ongoing contract management and discussions with contractor.	Sports & Leisure Manager	 Likelihood Decline of golf sector and pressure on contract terms
Inability to run BACS DD system	Loss of software Competent staff unavailable	Inability to collect income each month from DD accounts	WDC server to run BACS and Flex On-going training for other staff to operate the system in the absence of the Business Support Manager (Business Support Manager)		Business Support Manager	 Likelihood
Loss of Flex (Clarity) system	ClarityLive software replacing Flex	Restricted Service until reinstated	Users still able to access service manually (Business Support Manager; Operational Managers)		Sports & Leisure Manager	 Likelihood
Withdrawal of support for Flex software	ClarityLive software replacing Flex	Anticipated need to replace Flex software to operate leisure centres before 2016	On-going dialogue with Clarity re options to replace Flex	Pending outcome of Options Appraisal Sept 2015) – consider alternative systems to replace Flex	Sports & Leisure Manager	 Likelihood

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Failure to manage or appropriately support Events within the District	Insufficient staff cover Failure to follow procedure Unexpected occurrences	Unsafe Event Injury to customers, participants Damage to open space or equipment	Use of Operational Procedure format to ensure all appropriate plans and contingency arrangements are in place (Events Management Officers; Sports & Leisure Manager)		Sports & Leisure Manager	 Likelihood
Drop in morale of operational staff during Leisure Development Programme process	Options Appraisal into future delivery of Sports & leisure service	Reduced levels of service Loss of staff	Staff and Manager briefings throughout the process (September 2014 onwards) Unions included in briefings Communications Strategy developed and implemented October 2014	Ongoing communications to sports and leisure site staff to ensure they are kept informed/engaged in process.	Head of Cultural Services and Sports & Leisure Manager	 Likelihood
Leisure Development Programme unable to hit milestones to bring report to Exec in Sept 2015	Some work streams within the programme fail to be completed, resulting in incomplete report and lack of evidence to support anticipated recommendations	Delay in progressing decision re future delivery of sports & leisure, and consequent impact on financial position of Council.	Programme Manager and Programme Board in place (Feb 2015). Clear roles and responsibilities within Programme team. Interim milestones agreed' critical actions identified. PIDs established for each work stream Separate Risk Register established for Programme	Key risks in Programme Risk Register – staff resource from Finance and Housing & Property Services to support the current phase of the Programme. Ongoing monitoring by DCE (AJ) and Programme Board		 Likelihood
Arts & Heritage Risks						
Flooding of Royal Pump Rooms	Heavy rainfall causes river flooding	Reduction or loss of service until damage made good	Early warning from National Floodline service; flood barrier system to protect AG&M art store and temp exhibition gallery; maintain up-to-date Emergency Manual	In conjunction with Property Services review existing flood defence provision within building (e.g. condition of flood barriers, flood alarms)	Heritage & Arts Manager; Asset Manager	 Likelihood

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Leaks into RPR from roof	Heavy rainfall penetrates roof (condition survey by EC Harris identified extent of damaged areas)	Reduction of service until damage made good; water damage to collections	Maintain roof in good condition; AG&M staff inspect galleries and stores after heavy rainfall; maintain up-to-date catalogue of collections and insurance schedule Condition survey to assess condition and inform repairs schedule Roof included in replacement programme based on Condition Survey (June 2013)	Agree schedule for regular inspections of roof; identify timescale and work programme for roof replacement programme recommended in Condition Survey (June 2013). Summer 2015	Arts & Heritage Manager & Asset Manager	 Likelihood
Theft or damage to exhibits / collections	Criminal activity by public or staff; water leaks from air-conditioning plant in store; failure of air-conditioning system; pest infestation in stores	Restricted service and / or loss of valuable items	Regular maintenance of intruder alarm system; trained staff invigilating galleries; maintain up-to-date catalogue of collections and insurance schedule; regular inspections of stores and on-going pest-management programme; regular maintenance of air-conditioning plant		Arts & Heritage Manager; RPR Operations Supervisor; Asset Manager	 Likelihood
Loss of external grant funding	Change of policy or financial circumstances by grant awarding organisation/s	Reduction in quality and ambition of exhibitions and events programme; reduction in visitor numbers to AG&M	Ensure forward plan includes contingency for lower cost temporary exhibitions and events programme		Heritage & Arts Manager	 Likelihood

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Royal Spa Centre & Town Hall Risks						
Failure to achieve budget targets	Depressed economic climate; Deterioration in quality of service offered; Reduction in available product; Additional competition; Reduced attendances; Unforeseen expenditure	Impact on corporate financial position and Medium Term Financial Strategy	RSC Business Plan (2011 - 2015) contains actions to encourage increased attendances; control expenditure; monitor performance. New structure in place April 2013 Purchase of digital projector to support re-launch of cinema activities (late 2013) EPOS system installed in bars summer 2013 – better control of stock and monitoring of sales		Theatre and Town Hall Manager	 Likelihood
Staffing gaps - inability to operate the venues.	Ill health, unexpected absences or leavers	Inability to present performances and events; Short term increase in staffing expenditure	Alternative staffing provision in place; new staff structure was put in place in April 2013; NOP and knowledge now shared widely amongst existing team Artifax system installed late 2013 – allows resource planning including staffing		Theatre & Town Hall Manager	 Likelihood
Loss of Databox ticketing system	Technical failure	Inability to sell tickets; Loss of income	Manual system in place/IT backup. Server to be moved outside of the Council 2 nd firewall. Work on-going to move storage to Cloud in future (ICT)	Develop business case for replacement ticketing system – ongoing summer 2015	Theatre and Town Hall Manager	 Likelihood

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Further Action(s) (if appropriate)	Responsible Officer	Residual Risk Rating
Theatre Plant/lighting failure	Various	Loss of service and loss of income	Maintenance programme; New sound and lighting equipment purchased through ERR summer 2013; competent technical team established	Plan replacement of motors and dimmers – Royal Spa Centre (implement summer 2016)	Technical Team at Spa Centre	 Likelihood Track movement
Act of violence / threats against RSC staff / general public	Suspected drug dealers situated nearby; Lone working; Crime	Injury to staff / general public; Legal action, Loss of reputation; Loss of staff; Loss of income;	Lone working procedures and additional security measures in place; Working with Community Protection Officer		Theatre & Town Hall Manager	 Likelihood
Lack of ability to effectively monitor the movement of the public around the Town Hall site may result in property damage, theft or violence against staff.	Members of the public accessing building on a regular basis to visit tenants.	Property damage or theft may result in financial loss. Injury to staff / general public; Legal action, Loss of reputation; Loss of staff; Loss of income;	Reduced Box Office opening hours impact on operational staff in the Town Hall at certain times. Back up support available during opening hrs from University security staff		Theatre & Town Hall Manager	 Likelihood

 Finance & Audit Scrutiny Committee 28th July 2015		Agenda Item No. 8
Title:	Business Plan Performance Management Report	
For further information about this report please contact	Abigail Hay, Housing Strategy & Development Manager Email: abigail.hay@warwickdc.gov.uk Telephone: 01926 456044	
Service Area	Housing and Property Services	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	<ul style="list-style-type: none"> • 10.06.2014 Finance and Audit Scrutiny Committee (minute number 11) • 03.09.2014 Executive (minute number 36) • 11.03.2015 Executive • 13.01.2015 Finance & Audit Scrutiny Committee (minute number 103) 	
Background Papers	<ul style="list-style-type: none"> • Housing Business Plan 	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Head of Housing & Property Services	17.07.15	Andy Thompson
Head of Finance	17.07.15	Mike Snow
Portfolio Holder for Housing and Property Services	17.07.15	Councillor Peter Phillips
Consultation Undertaken		
None		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1. The purpose of this report is to present to Finance and Audit Scrutiny Committee an update on the Housing Revenue Account (HRA) Business Plan Performance.

2. RECOMMENDATION

That Finance and Audit Scrutiny Committee notes:

- 2.1. The performance outturn of the HRA Business Plan for 2014/15.
- 2.2. The emerging Government policy changes detailed in section 3.10

3. REASONS FOR THE RECOMMENDATION

- 3.1. Since the original HRA Business Plan was approved by Members in March 2012, performance reports have been presented to Finance and Audit Scrutiny Committee on a bi-annual basis.
- 3.2. In addition the base business plan has been revised to reflect changes in performance and assumptions, with the latest business plan having been approved by the Executive in March 2015. This is now the base business plan against which performance is measured.
- 3.3. A further review of the HRA Business Plan will take place in 2015/16 and be presented later this year to the Executive for approval. This will:
 - Update the base business plan with all changes that have taken place
 - Revise assumptions for the forthcoming period based on current information and knowledge.
 - Take account of any housing policy changes being proposed by the Government

The revised plan will be presented to Executive for approval.

- 3.4. The HRA Business Plan Financial Framework for 2014/15 is attached at Appendix 1 which sets out the performance of the Business Plan for 2014/15. All numbers reflect the principal change effect and the consequent impact on cash flows and interest over the fifty year life of the Business Plan.
- 3.5. Compared to the HRA Business Plan projections approved in March 2015, there is a projected favourable variance of £4,114,000 for 2014/15, predominantly due to unavoidable delays in the development of Sayer Court slipping costs into 2015/16. There is an adverse variance of £27,933,000 over the remaining life of the 50 year life of the Business Plan, which is the equivalent of approximately £140,000 per year on average in current prices.
- 3.6. The Business Plan Financial Framework Exception Report attached at Appendix 2 details reasons and mitigations for the significant variations.

- 3.7. The adverse variance is due to a combination of internal and external factors.
- 3.8. Right to Buy Sales have been higher than anticipated in the base business plan. Whilst this has resulted in some additional receipts which must be used to fund replacement homes under the '1-4-1 replacement' policy, the formula has changed each year to increase the amount of sales needed to retain any income so on current projections it is unlikely any '1-4-1' receipts will be retained after the next few years. This has resulted in an adverse variance of £8.7m over the 50 year life of the business plan because the rental income that the council loses over time far exceeds any small element retained from sale proceeds.

- 3.9. Internal factors which have contributed to the overall adverse variance include:

An increase in management costs has resulted in an adverse variance of £13m after 50 years. This is due to inflation and other incremental increases across a range of budgets and no discretionary savings target in the current base HRA budget. An adverse variance for revenue repairs and maintenance of £6.5m over the 50 year business plan. This is as a result of reduced budgets, increased demand and complexities with the administration and management of the contracts.

- 3.10. Changes to national housing policy have been proposed by the Government since May 2015. Detailed regulations and implementation plans for these changes have not yet been published or agreed by the Government, and until these have been confirmed it is not possible to accurately assess their impact.

As long as detailed regulations are published by the third quarter of 2015/16, it will be possible to include the impacts in the annual review of the HRA Business Plan, which will be completed at the end of this year.

- 3.11. Some high level preliminary range of assessments have been undertaken to model what the impact of the changes might be, based upon broad assumptions and limited information available to the Council.

- 3.11.1. The rental income assumption in the March 2015 base HRA business plan was based on Department for Communities and Local Government (DCLG) Guidance which was issued in May 2014, setting out a 10 year rent formula of CPI + 1%.

In the July 2015 Budget, the Government announced a compulsory 1% reduction for four years in rent for tenants of registered providers, including local authorities, which is expected to apply from April 2016.

An initial assessment of the impact of this change suggests a possible reduction in assumed rental income in the range £200m to £500m over the life of the business plan, depending on a number of factors, particularly whether the formula social rent would also be reduced by 1%, which would permanently reduce

the long term rents, and whether the rent reductions only apply to current tenants.

The draft Welfare and Reform Bill has been published which outlines some of the proposals at a high level. However the regulations which will set out the detail, particularly any effect on formula rent, have yet to be published.

- 3.11.2. The Government has announced plans to extend the 'Right to Buy' for housing association tenants. To fund this, local authorities will be required to sell 'high value' void properties. A Draft Bill has not yet been issued and we therefore await further detail of this legislative proposal.

To date, the only detail that has been announced is the value thresholds for each region at which homes should be sold. Based on this information, analysis shows that Warwick District could be required to sell around 30% of the homes that become void, unless value thresholds are set at a more local level.

There has not been any information published in relation to the extent to which local authorities will be compensated for the sale of these homes. It might be expected that local authorities will be able to retain an amount of the receipt for administration along with a sum equal to the value of the remaining debt on the property following the 2012 self-financing settlement (assuming that, in line with Government expectations, this debt reduces to zero over the first 30 years of self-financing), but there is no guidance as yet.

The impact on the business plan will vary significantly depending on assumptions, a likely range is from approx. £200m at year 50 (for example if fewer homes are below the threshold (10%)), up to approximately £450m if new homes have to be sold on first re-let and no additional compensation is available.

- 3.11.3. The Government announced as part of the July 2015 Budget further welfare reforms which may have an impact on bad debt provision. These include a reduction in the Benefit Cap to £20,000, amendments to the Tax Credit system, restrictions on 18-21 year olds claiming support for their housing costs and the introduction of higher rents for households with incomes in excess of £30,000 per annum. Further details are awaited to allow for a more informed assessment to be made of the likely impact upon the HRA business plan.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. This report is for information only. There are no alternative options to the recommendation to note its contents.

5. BUDGETARY FRAMEWORK

- 5.1. The effective monitoring and control of expenditure and income is a fundamental part of the proper financial management for the Council, enshrined within the Code of Financial Practice and monthly Budget Review process
- 5.2. The move to a 'Self Financing' Housing Revenue Account (HRA) on 1st April 2012 involved taking on £136.2m of debt, which is due to be repaid in stages after 41 to 50 years (2053 to 2062).
- 5.3. It is essential to project Business Plan expenditure over the full 50 year term of the Plan rather than just the short to medium term (up to five year) horizon more commonly considered. Small variations in the early years may, if not identified and addressed, have a significant impact on the ability to meet the ambition for the provision of new affordable homes in the district - and potentially the ability to repay the debt within 50 years.
- 5.4. Therefore the ongoing Budget Review and Performance Management processes continue - but with the addition of a longer term 'Business Plan Financial Framework' report identifying potential longer term variations, and projecting the likely financial effect over 50 years. The financial summary is accompanied by exception reports explaining the causes of and mitigations for any significant variances.
- 5.5. The Business Plan Financial Framework is presented to:
- the Finance and Audit Committee six monthly
 - the Executive annually

6. POLICY FRAMEWORK

- 6.1. The recommendations of this report are in keeping with the approved HRA Business Plan.
- 6.2. Effective monitoring and control of expenditure and income is essential for the proper financial management for the Council.

Appendix 1 – Business Plan Financial Framework (BPFF)

Performance Measure	Mar '15 Business Plan Base Assumption 2014/15	31-Mar-15 2014/15 Year End Outturn	Actual Variances 2014/15 Fav./ (Adv.) £'000	Projected Variances over 5 Years 2018/19 Fav./ (Adv.) £'000	Projected Variances as at Year 50 2062/63 Fav./ (Adv.) £'000
Average Net Management Cost per Home	£1,103	£1,050	243	(338)	(13,031)
Average Revenue Repairs & Maintenance Costs per Home	£875	£992	(647)	(1,100)	(6,470)
Average Capital Maintenance Cost per Home	£897	£818	505	41	150
Bad Debts as a % of Gross Rents	1.27%	1.29%	(5)	(5)	(19)
Void Rent Loss as a % of Gross Rents	0.60%	0.56%	10	11	40
Void Homes moved to Formula Rent during 2014/15	167	156	(2)	(15)	(192)
No. of Garages Demolished for redevelopment	130	88	3	19	78
No. of Right-To-Buy Sales	22	27	234	330	(8,717)
Construction / Acquisition of New Homes (Specific schemes)					
Redevelopment of Fetherston (Sayer) Court area (2015/16)	81	81	2,879	(25)	(91)
Repurchase of Ex-Council Homes (completed)	1	1	0	0	0
Acquisitions SW Warwick (completion 2014/15)	21	21	894	192	279
<i>TOTAL</i>	103	103	3,773	167	188
Interest Rate on HRA Balances	0.70%	0.70%	0	0	0
Interest Rate on HRA Debt	3.50%	3.50%	0	0	0
OVERALL EFFECT OF ALL CHANGES ABOVE			4,114	(890)	(27,973)

Appendix 2 - Business Plan Financial Framework Exception Report 2014/15

Performance Measure	Average Management Costs per Home
Variance	2014/15: £243,000 Favourable Year 50: -£13,031,000 Adverse
Cause	The ongoing revenue costs for the service have increased incrementally across the service resulting in a long term reduction in business plan resources. This is partly driven by inflationary increases, the business plan assuming no inflation in the early years and partly by discretionary budget savings targets being excluded from the base HRA budget to allow the service redesign to be completed and budgets reassessed in light of the new structure.
Mitigation	The ongoing annual variance is small, but added up over 50 years with inflation this gives a more significant effect. Budgets will be reviewed throughout the year and identified saving included when 2016/17 budgets are set. Updated projections will be reported through the Business Plan Performance Reporting process.

Performance Measure	Average Revenue Repairs and Maintenance Cost
Variance	2014/15: -£647,000 Adverse Year 50: -£6,470,000 Adverse
Cause	<p>A number of factors have contributed to additional expenditure on repairs and maintenance, including:</p> <ul style="list-style-type: none"> • An increase in both the quantity and cost of repairs and maintenance work has required additional expenditure to ensure that tenant's homes are repaired and maintained to an acceptable standard. • Budgets were reduced to reflect projected savings as a result of Open Book contracts which did not materialise. In addition no reference was made to RPI and building cost inflation when setting budgets due to the expectation that savings and efficiencies would offset any inflationary costs. • Administration and Management issues were introduced as a result of the new contracts which resulted in a lack of control for the council in determining what jobs are carried out. In addition due to the complex reconciling process that is required with these contracts, it is extremely difficult to track expenditure and therefore manage budgets effectively.
Mitigation	<p>A number of measures have been introduced and planned in order for the service to be able to better manage and control expenditure on repairs and maintenance, including:</p> <ul style="list-style-type: none"> • Monthly budget reports are being presented to the Housing & Property Management Team from August 2015 setting out annual budget, budget to date, committed to

	<p>date, actuals to date and remaining budgets across the primary budget areas.</p> <ul style="list-style-type: none"> • Each team within Asset Management from July 2015 has a monthly budget report setting out budget, actuals and remaining budgets across its budget codes and work is being progressed so that known commitments can be factored in. • Monthly budget reviews with Portfolio Holder and Head of Service will be in place by the end of the second quarter of 2015/16 to introduce more accountable budget management supported by monthly production of financial data. • Techniques are being introduced in order to manage demand and customer expectations, including pre-inspections, cyclical visits, recharge policy, tenant's repairs handbook and a revised void standard. • A review of the contract arrangements is underway to consider how we can best control and administer them in the future with a view to moving towards a Schedule of Rates type contract to allow for closer control of expenditure.
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Performance Measure	Bad Debts as % of Gross Rents
Variance	2014/15: -£5,000 Adverse Year 50: -£19,000 Adverse
Cause	<p>The March 2015 base business plan set Bad Debt Provision at 1.27% in anticipation of the impending welfare reforms, specifically Universal Credit, and the likely impact on rent collection. Although Universal Credit is yet to roll out in Warwick District, there has been an increase in bad debts. This has not been caused by the introduction of welfare reforms but by significant staffing issues including staff turnover and long term sickness in the Income Recovery Team which has caused a negative impact on performance.</p> <p>Although the impact is relatively negligible, the fact that we are yet to witness the impact of the introduction of the welfare reforms which were known at the time of the base business plan in March 2015, in addition to further changes announced in the July 2015 Budget, there is a significant risk that we could experience a further increase in bad debts.</p>
Mitigation	<p>The staffing issues in the Income Recovery Team have recently been resolved and the team is now getting back to full strength. Vacant posts have been filled and long term sickness employee has returned to work. This should assist the team to be able to operate at its intended capacity to ensure that sufficient resources are directed to supporting tenants to pay their rent.</p> <p>In addition, there has been much work taking place for a significant period of time to prepare for the implementation of the welfare reforms. A Financial Inclusion Officer has been in post for four years whose main focus is supporting tenants</p>

	<p>affected by the changes to welfare and preparing them for the changes. The changes that have been thus far introduced have been managed extremely well resulting in limited impact on rental income recovery, for example there was not an increase in rent arrears following the introduction of the removal of the spare room subsidy.</p> <p>However it is acknowledged that there are further and potentially more significant changes to come, including Universal Credit and a further reduction in the overall benefit cap which potentially could see performance affected. Further work will take place to support our tenants in the transition period.</p>
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Performance Measure	Void Rent Loss as % of Gross Rents
Variance	2014/15: £10,000 Favourable Year 50: £40,000 Favourable
Cause	Performance on management of voids has been better than anticipated which has resulted in a favourable variance.
Mitigation	N/A – Favourable variance

Performance Measure	Void Homes moved to Formula Rent during 2014/15
Variance	2014/15: -£2,000 Adverse Year 50: -£192,000 Adverse
Cause	All void homes are now moved for formula rent which is the mechanism for which the council is able to achieve rent convergence so that similar social rented homes in the same area have comparable rent levels irrespective of the landlord. There have been slightly fewer homes void during 2014/15 than assumed in the March 2015 base business plan resulting in a slight adverse variance.
Mitigation	The council does not have any control over the number of homes which become void during the year. We will continue to monitor trends and set assumptions in the business plan based on this information.

Performance Measure	Number of Garages Demolished for Redevelopment
Variance	2014/15: £3,000 Favourable Year 50: £78,000 Favourable
Cause	A garage site had been earmarked for demolition for use by contractors who are developing Sayer Court however this did not come to fruition and the garages were not demolished.
Mitigation	N/A – this is a favourable variance because we will continue to collect rent on these garages. The business plan however assumes that they will ultimately be demolished but at a revised timescale.

Performance Measure	Number of Right to Buy Sales
Variance	2014/15: £234,000 Favourable Year 50: -£8,717,000 Adverse
Cause	Due to sales late in 2014/15 there were five more properties sold under Right To Buy than assumed in the base business plan presented March 2015. The Council can retain some of the monies from the sale for homes where proceeds exceed the level assumed in the 2012 Self Financing Settlement, as long as they are used to fund new social or affordable homes within 3 years. This causes a favourable variance in the year the property is sold, however long term there is an adverse variance due to the loss of rental income from the property.
Mitigation	The assumption in the business plan for the number of homes sold over the next four years has been increased to reflect the additional sales in 2014/15. The number of applications and sales will be continually monitored and the business plan will be updated accordingly.

Performance Measure	Construction/Acquisition of New Homes
Variance	2014/15: £3,773,000 Favourable Year 50: £188,000 Favourable
Cause	Annual variance represents 'slippage' due to unavoidable delays in the Sayer (Fetherston) Court development and the accounting treatment of South West Warwick acquisitions agreed with external audit (no significant genuine delays). Over the long term the projected variance is minor, and predominantly due to increased confidence of the sale value of shares of shared ownership homes in South West Warwick.
Mitigation	Continue to monitor cost and progress for projects.

 Finance & Audit Scrutiny Committee 30th June 2015		Agenda Item No. 9
Title	Progress Report on Enterprise Projects	
For further information about this report please contact	Joe Baconnet, Economic Development & Regeneration Manager Tel: 01926 456011 Email: joseph.baconnet@warwickdc.gov.uk Gayle Spencer, Business Manager - Enterprise Tel: 01926 333220 Email: gayle.spencer@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	10th June 2014 F&A C'tee	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Head of Service		Tracy Darke
CMT/Deputy Chief Executive		Bill Hunt
Section 151 Officer		Mike Snow
Monitoring Officer		Andrew Jones
Finance		Mike Snow
Portfolio Holder(s)		Cllr Stephen Cross
Consultation & Community Engagement		
None		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 The purpose of this report is to update members of the Finance & Audit Scrutiny Committee on the operational performance of the Enterprise Projects, principally: Althorpe Enterprise Hub (AEH), & Court Street Creative Arches (CSCA). Brunswick Enterprise and Employment Zone (BEEZ) and Spencer Yard Phase 1 (SY) are included for financial purposes. In addition, this report gives an update on 26HT and also the business support and skills initiatives.

2. **RECOMMENDATION**

- 2.1 That the Committee note developments since our previous report in June 2014.

3. **REASONS FOR THE RECOMMENDATION**

3.1 **General Comments – all projects**

Althorpe Enterprise Hub (AEH)

- 3.1.1 Despite launching Althorpe Enterprise Hub (AEH) in autumn 2009 when businesses were faced with severe economic conditions, the onset of a recession and a slow recovery, AEH achieved, and has maintained, full occupancy since November 2012. Rent levels have been maintained and the project demonstrates that there is still a need locally for good quality small offices to support new or expanding businesses. Whilst national serviced office providers have continued their expansion in the area (principally Pure Offices at Tachbrook Park and Tournament Fields, Warwick) they do not provide the added value and support to businesses that AEH provides. AEH's location in the Old Town has been significant and has proved no deterrent to office businesses.

Court Street Creative Arches (CSCA)

- 3.1.2 Court St. Creative Arches (CSCA) officially launched in autumn 2009. It was also affected by the same economic conditions as AEH, perhaps even more so as CSCA required tenants to sign up to long-term leases. The remaining building works for the project were completed in May 2010. The first lease was completed in January 2011. As of July 2015 there are seven (7) occupied arches and one (1) vacancy. The policy on the lettings of the Arches have remained committed to the project aim and all tenants fall within the list of 'accepted creative criteria.'
- 3.1.3 An added complication of the CSCA, is that all the arches are owned by Network Rail (NR). This meant that all leases undertaken by WDC for tenants needed Network Rail approval. The time delays and costs (approximately £1250 per lease) this has put onto the District Council has been considerable. However, following the loss of a potential tenant because of legal delays with Network Rail's lawyers, a complaint was made to Network Rail. Given the authority's previous good performance, Network Rail have waived the requirement for WDC to enter into new licences for subleases. This will significantly reduce the amount of time and cost it takes to complete a lease.

Brunswick Employment and Enterprise Zone

- 3.1.4 The outputs for the BEEZ were largely based around Job Creation and Businesses created or attracted (and surviving for 12 months). However,

during the project, “assisting people into a job” was added as a non contracted output as a result of the establishment of a Jobs Club in 2010.

Spencer’s Yard

- 3.1.5 Phase 1 of Spencer’s Yard comprises of the North Hall and West Wing buildings which were refurbished in 2005/2006 as part of the Leamington Old Town regeneration scheme and opened to creative businesses in May 2006. West Wing is home to Motionhouse Dance Theatre and North Hall to Hybrid Arts and Heartbreak Productions. A number of other small creative businesses have also occupied North Hall in the small offices since the facilities were opened.
- 3.1.6 The £5M (largely AWM funded) scheme to complete Phase 2 which would have seen the Loft Theatre move into the former Spencer Street United Reform Church (URC) after a substantial renovation and conversion was cancelled in summer 2010. A soft market testing exercise is underway for the Creative Quarter, that Spencer’s Yard forms part of.

26HT – Gaming Incubation Hub

- 3.1.7 In July 2014, WDC secured funding from the Coventry and Warwickshire Local Enterprise Partnership’s Growing Places Fund for the conversion of one of our vacant and underinvested properties (26 Hamilton Terrace, Royal Leamington Spa) into an incubation hub for digital software and gaming companies. This was designed to meet the need of the industry for a small, high quality, town centre start up space. The building had been unoccupied for a number of years and the £108,000 award covered all capital costs associated with the renovation and fit out of 26 HT. The project launched at the end of 2014, with the first two businesses taking occupancy in December 2014 and February 2015. A third business, Natural Motion, is due to move in at the end of July 2015. Due to problems with high speed broadband connectivity (outside of WDC’s control) there has been a conscious decision to not market the project actively. The current tenants have all been secured through word-of-mouth. The new fibre line should go live during July 2015.
- 3.1.8 The optimum gross annual rental income is £34k, with an additional service charge income £16.8k to cover costs, which will be reviewed. Under the terms of the grant agreement, WDC has to maintain the building for the agreed use for a minimum of 10 years.

General Business Support

- 3.2.1 Creation of new businesses and new jobs continues to be a key priority for WDC and there is continued demand for access to business start-up advice, office and desk facilities and support services in the District.
- 3.2.2 Since 2011, when the Business Link Advice Service ceased, business support across the whole area has been patchy. WDC made the decision to engage with the Coventry and Warwickshire Chamber of Commerce (CWCC) to provide start-up support. The Executive granted permission in August 2013 to extend the contract with the Coventry and Warwickshire Chamber of Commerce and thereby continue to deliver business mentoring and support under the WDC Business Programme. A further £10k was allocated for this purpose. As a result a further 50 individuals started up a business. This programme eventually came to an end in December 2013.

- 3.2.3 Through the allocation of a portion of the £50k skills budget (in 2014/15 financial year) CWCC were re-engaged to provide start up support until April 2015. During this period 20 new business starts have been supported. In addition to this, provision was made to re-engage with previously supported start up businesses. 10 of these existing businesses have been able to access additional business support with the CWCC who also undertook analysis to report back on survivals. The report from CWCC is due July 2015.
- 3.2.3 It is hoped that the previously unequal business support landscape will be address through the European Structural and Investment Funds (ESIF) bid process for support for Small and Medium sized enterprises across Coventry and Warwickshire.

Skills

- 3.3.1 It was recognised that practical help to get unemployed people back into work, to supplement gaps in Job Centre Plus (JCP) provision was needed. As has been previously reported, the Enterprise Team supported the establishment of an Employment Club managed by BEEZ at the Brunswick Healthy Living Centre (BHLC), which has been running since July 2010. JCP's work programmes (provided through a third party provider) do fulfil some of the need identified by the original purpose of the Jobs Clubs. However, changes and the way that JCP now work mean that some of the gaps we had originally identified have not yet been fulfilled. WDC Enterprise successfully secured £32k from Deeley Properties Ltd and Morrisons Supermarkets to fund the Club via a Section 106 Agreement over a two year period.
- 3.3.2 Through a portion of the 2014/15 skills budget, WDC funded 2 cohorts of a new 'Gold Programme', which was designed by BHLC to complement the work being undertaken by the jobs club. It had been recognised that there were individuals that required more direct and intensive support. Through these two delivered programmes WDC and BHLC have been able to deliver support to 13 individuals. Early stage feedback confirms that two of these individuals have found full-time employment. Another has joined the BHLC volunteer programme, where individuals gain experience in a working environment and eventually move on to paid employment elsewhere. In addition a further two individuals have enrolled on an IT course.
- 3.3.3 The Enterprise Team also supported the multi-agency Leamington Jobs Fair, which was held at the Town Hall in March 2014 and March 2015. On both occasions around 300 individuals attended the fair and had the opportunity to attend a session to support them to find work and/or to meet with local businesses that had vacancies. This year's event was extremely successful. The feedback received was that 20 people secured employment through the event.

Games Industry Support

- 3.4.1 WDC Enterprise supported Arch Creatives, a not for profit business. Their venture undertakes to assist and encourage individuals and small 'off-springs' with their own gaming projects. Arch Creatives originally took a lease on Arch 2 of the CSCA for this project and launched in May 2014. Individuals and 'off-springs' have benefitted from sharing a hot-desking space on an ad hoc basis with other likeminded individuals, with additional opportunities to attain key skills and to network. The project has been so successful that they are taking a larger, double arch.

Networking

- 3.5.1 Since January 2010 AEH launched a monthly Working Lunch programme WDC support existing and new businesses, not only providing networking opportunities but also as a way of assisting businesses on current 'hot topics'. Over 180 companies have benefitted from the programme. In October 2014 these events ceased as it was considered that the business networking environment had become saturated and there was no longer a requirement or gap to be filled by the District Council.
- 3.5.2 Despite the windup of the WDC Working Lunch programme, there was continued demand for accessible knowledge and businesses skills/workshops. Through the skills budget we were able to hold two, full-day seminars for SMEs. Over 50 businesses and individuals were supported through these two sessions.

C&WLEP Outputs – 26HT

- 3.6.1 Having successfully secured funding from the Coventry & Warwickshire Local Enterprise Partnership's (C&WLEP) Growing Places Fund, WDC are contracted to fulfil a number of outputs as detailed below: -

Project Output	2014	2015	2016	2017	2018	Total
Jobs Creation	2-5	4-10	9-15	9-15	9-15	36-60
New business creation	1-2	4-6	5-8	4-7	4-7	14-30

- 3.6.2 At this stage, despite the delays in occupation caused by broadband issues, WDC Enterprise consider these to still be realistic and achievable. 2014 output targets have been carried over into 2015.

4. POLICY FRAMEWORK

4.1 Policy Framework:

Compliant with the refreshed SCS and the Prosperity Theme

"To improve the economic, social and environmental well-being of Warwick District by pursuing a balanced and sustainable growth agenda that delivers improvements in each of these areas whilst protecting those things that make the Warwick District special"

4.2 Fit for the Future

- 4.2.1 The net financial impact of the Enterprise projects (AEH, BEEZ, CSCA and SY) on Council budgets should be at least neutral and the team have worked hard to achieve this aim. In 2013/14 we ended the financial year with net direct income of £44k, excluding depreciation and support charges.

- 4.2.2 In terms of the Council's Vision and Purpose the enterprise projects are a key part of the Council's Sustainable Communities Strategy under the Prosperity Theme and in particular contributing to 'a strong and diverse economy which provides jobs for all'.

5. BUDGETARY FRAMEWORK

- 5.1 The budgets for AEH, CSCA, BEEZ and SY are amalgamated under Enterprise Development in the 2015/16 Budget Book. In summary, the budget being worked to for this financial year, as of June 2015 Budget Monitoring, is as follows:-

Enterprise Development*	
Income and Expenditure Budget 2015/16	
Direct Expenditure	£
Salaries	71,700
Premises	87,400
Transport	2,500
Supplies & Services(1)	19,500
Third Party Payments	2,700
Total Direct Expenditure	183,800
Direct Income	
Service Charges	-34,600
Hire of Workstations	-5,000
Hire of Conference Rooms	-4,500
Business Services	-7,100
Rents	-167,600
Other grants and contributions	0
Total Direct Income	-218,800
Net Direct (Income)/Expenditure	-35,000
Support Services	32,200
Capital Financing Charges	53,700
Total Net (Income)/Expenditure	50,900

*note: only covers Althorpe Enterprise Hub, Court Street Creative Arches, Spencer's Yard. Excludes: 26HT & BEEZ.

(1) includes legal fees and disbursements – ie: Network Rail Charges

5.2 Comments:

- 5.2.1 A key objective of the Enterprise Team is to raise sufficient direct income to cover direct costs. The net direct budget surplus forecast shown above, of £35k, is a lower end forecast. It would be a far more realistic since these budgets have been set to anticipate a surplus somewhere in the region of 2014/15, at around £44k.

- 5.2.2 As a note, the Council is contractually obliged to invest surpluses from AWM funded projects (AEH and CSCA) into business support activities.

5.3 Capital Investment

- 5.3.1 All Capital expenditure as reported previously is now complete.

6. RISKS

- 6.1 The main risks & mitigation associated with the Enterprise Projects are:

Risk	Mitigation Measures
Clawback of funding for missing output targets	Revised Output targets reached on all projects
Successor Agencies –(particularly the HCA) triggering contractual payment obligations	Enterprise Manager has been attempting to get assurance from HCA contract managers regarding the gross / net split (these are believed to be a mistake). WDC's Lawyers carrying out an assessment of the contract and all subsequent correspondence should the HCA re-examine the contracts.
Economic Downturn leading to loss of tenants / increase in vacancies or voids (and therefore increased costs)	Active marketing of sites, ability to vary rents to be competitive, support package to businesses making WDC sites more attractive
Tenants allowed to occupy buildings without legal agreement	Adequate procedures in place, monthly review of on-going property issues
Tenants cause damage to property	Dilapidations procedure to ensure tenants carry out their legal duties
Increased cost of maintaining properties in good order leading to loss of tenants	Planned preventative maintenance programme. Early identification of particular issues.

- 6.2 All are covered within the Estates section of the Development Services Risk Register.

7. Alternative Options considered


- 7.1 None at this stage.

8. Background

- 8.1 AEH, CSCA and BEEZ were all funded via Advantage West Midlands (AWM), the former regional development agency. The Council received approximately £1.9M by way of Capital and Revenue grants from Advantage West Midlands to fund these three projects and as such were contractually bound to deliver a number of outputs across the three projects
- 8.2 With the closure of Advantage West Midlands in 2012 contract responsibility and the monitoring of the AEH and BEEZ projects transferred to the Homes and Communities Agency (HCA) and CSCA to the Department for Business,

Innovation and Skills (BIS). Figures are submitted annually as required. BIS have not responded to the submissions. HCA

- 8.3 BEEZ and AEH final output claims were submitted in 2012/13. It is considered that these projects are a success. Both projects over-achieved against contracted outputs, which, according to the value for money (VFM) model used by AWM represented an additional £7.6m in the local economy in value for money terms.
- 8.4 AEH and CSCA have conditions relating to the length of time that the projects must continue to run.

 Finance & Audit Scrutiny Committee 28 July 2015		Agenda Item No. 10
Title	Comments from the Executive	
For further information about this report please contact	Amy Carnall Committee Services Officer 01926 456114 committee@warwickdc.gov.uk	
Service Area	Civic & Committee Services	
Wards of the District directly affected	n/a	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	n/a	
Background Papers	Finance & Audit Scrutiny Committee minutes 10/06/2015 Executive minutes from 16/06/2015	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Deputy Chief Executive		
Chief Executive		
CMT		
Section 151 Officer		
Legal		
Finance		
Portfolio Holders		

Consultation Undertaken	
n/a	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. Summary

- 1.1 This report summarises the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 1 July 2015.

2. Recommendation

- 2.1 That the responses made by the Executive be noted, as set out in Appendix 1 to the report.
- 2.2 The Committee notes the comments made in Appendix 2 (Item 14 of the agenda) as set out in the confidential section of the agenda. (If members wished to consider these in detail then they would need to formally resolve to exclude the press and public).

3. Reasons for the Recommendation

- 3.1 This report is produced to create a dialogue between the Executive and the Finance & Audit Scrutiny Committee, ensuring that the Scrutiny Committee is formally made aware of the Executive's responses.

4. Alternative Options Considered

- 4.1 The Committee receives and notes the minutes of the Executive instead.

5. Budgetary Framework

- 5.1 There is no impact on the budgetary framework. This is for the Committee's information only.

6. Policy Framework

- 6.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

7. Background


- 7.1 As part of the scrutiny process, the Committee no longer considers the whole of the Executive agenda.
- 7.2 Councillors are emailed at the time of the publication of the Executive and Scrutiny Committee agendas, asking them to contact Committee Services by 9.00 am on the day of the Scrutiny Committee, to advise which Executive items they wish the Scrutiny Committee to pass comment on and the reasons why.
- 7.3 As a result, at its meeting on 30 June 2015, the Finance & Audit Scrutiny Committee considered the items detailed in the appendices. The responses which the Executive gave are also shown.

Responses from the meeting of the Executive held on 30 June 2015 to the Finance and Audit Scrutiny Committee's comments

Item no	7	Title	The Introduction of a Pre-Application Charging Regime for Development Proposals
Scrutiny Comment	<p>The Finance & Audit Scrutiny Committee supported the recommendations in the report, however, Members had concerns about the wording of the exemptions paragraph at the bottom of page 9. Members suggested that that discretion could be used when dealing with some of the larger charitable organisations and the final reference to the LEP should read 'or' not 'and'. It was also hoped that listed buildings and heritage assets would be identified as an exemption.</p> <p>The recruitment of agency staff to the Planning Officer vacancy was supported on this occasion to afford some protection to the Planning Reserve.</p> <p>In addition, it was suggested that interim, quarterly reports could be submitted to measure take up of the service.</p> <p>The Committee therefore recommended: That the following amendments be made to the recommendations: 2.1 ii) to include an additional FTE Senior Planning Officer <u>by flexible recruitment</u>; and 2.1 iii) to review the operation of the regime <u>on a quarterly basis</u>.</p>		
Executive Response	<p>In response, the Executive took the comments on board and suggested that when the regime was formalised, officers could emphasise the Council's support of small, local charities. It was proposed that Appendix 2 could be reviewed by officers in consultation with the Portfolio Holder to address the discrepancies relating to the concessions section.</p>		

Item no	8	Title	Funding for Bishop's Tachbrook Community Centre
Scrutiny Comment	<p>The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members did raise concerns about funding aspects, the information still being awaited on the Business Plan and appreciated the timing issues relating to the building contractor.</p>		
Executive Response	<p>The Portfolio Holder for Finance, Councillor Whiting, addressed Members and reminded them that this had been a long running issue. He assured them that any financing would consist of phased funding and the Council would not be handing over the full amount all at once. He agreed that work was still required on the business plan and highlighted the risks outlined in paragraph 6.2 of the report.</p>		

Item no	10	Title	Request for Funding for Improvements to King George's Playing Field at Barford
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations with an amendment to the figure in bullet point 2 of recommendation 2.1 – this should read £81,000 not £71,000, & the subsequent changes to paragraphs 3.4 & 5.3.		
Executive Response	Having read the report and subject to the amendments to the figures detailed above, the Executive		

 Finance & Audit Scrutiny Committee – 28 July 2015		Agenda Item No. <div style="text-align: right; font-size: 2em;">11</div>
Title	Review of the Work Programme & Forward Plan	
For further information about this report please contact	Graham Leach Democratic Services Manager & DMO 01926 456114 or committee@warwickdc.gov.uk	
Wards of the District directly affected	n/a	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	n/a	
Background Papers	n/a	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	n/a
Equality & Sustainability Impact Assessment Undertaken	n/a

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		
Head of Service		
CMT		
Section 151 Officer		
Monitoring Officer		
Finance		
Portfolio Holder(s)		
Consultation & Community Engagement		
n/a		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 This report informs the Committee of its work programme for 2015/16 (Appendix 1) and the current Forward Plan (Appendix 2).

2. Recommendation

- 2.1 Members consider the work programme and agree any changes as appropriate.
- 2.2 The Committee to; identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and to nominate a Member to investigate that future decision and report back to the Committee.
- 2.3 That the Scrutiny of Infrastructure Planning is removed from the work plan for this Committee because the work will be undertaken by the Overview & Scrutiny Committee once the Local Plan is adopted.

3. Reasons for the Recommendation

- 3.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 If the Committee has an interest in a future decision to be made by the Executive it is within the Committee's remit to feed into the process.
- 3.3 The Forward Plan is the Executive's future work programme. If any non-Executive Member or Members highlight items which are to be taken by the Executive which they would like to be involved in, those Members can then provide useful background to the Committee when the report is submitted to the Executive and when the Committee passes comment on it.
- 3.4 The Scrutiny of Infrastructure Planning was added to the Work Programme for the Committee in February of this year, following a proposal by Councillor Weber. The Overview & Scrutiny Committee had also agreed to undertake this work and have deferred further consideration until the Local Plan is adopted. Therefore to avoid duplication of work it is proposed that this be removed from the Work Programme.

4. Policy Framework

- 4.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

5. Budgetary Framework

- 5.1 All work for the Committee has to be carried out within existing resources. Therefore, there is a limit to the time available that officers will have to assist Members, so the Committee may wish to prioritise areas of investigation.

6. Risks

- 6.1 This Committee contributes to the effective minimisation of risk by fulfilling its duties in a timely manner and scrutinising the work undertaken by the Executive.

7. Alternative Option(s) Considered

- 7.1 The only alternative option is not to undertake this aspect of the overview and scrutiny function.

8. Background

- 8.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 8.2 The pre-decision scrutiny of Executive decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 8.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve month period to give a clearer picture of how and when the Council will be making important decisions.
- 8.4 A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 8.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.
- 8.6 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan. The Committee may wish to give greater consideration to the reports in Section 2 of Appendix 1, to maximise the time available for Members to input into the process.

Finance and Audit Scrutiny Committee

WORK PROGRAMME 2015/16

28 JULY 2015

AUDIT ITEMS

1	Treasury Management 2014/15 Annual Report	Report	Roger Wyton	Annual report
2	Statement of Accounts 2014/15	Report	Marcus Miskinis	

SCRUTINY ITEMS

2	Cultural Services Risk Register	Report	Rose Winship	Approved Executive 11.01.12 minute 115
3	Scrutiny of Infrastructure Planning	Report		Agreed by F&A 10.02.15 minute 116
4	Housing Business Plan Performance Management	Report	Abigail Hay	Biannual report
5	Enterprise Projects – progress report	Report	Joe Baconnet	Annual report

2 SEPTEMBER 2015

AUDIT ITEMS

1	Internal Audit Quarterly Report Quarter 1 2015/16	Report	Richard Barr	Quarterly report
2	Housing Benefit Fraud Investigation - Performance	Report	Andrea Wyatt	Annual report
3	Risk Management Annual Report	Report	Richard Barr	Annual report

SCRUTINY ITEMS

4	Neighbourhood Services Contracts Register	Report		
5	Section 106 Scrutiny	Report	Tracy Darke	Quarterly report

22 SEPTEMBER 2015 (ACCOUNTS)

AUDIT ITEMS

1	Audit Findings Report from External Auditor	Report	Mike Snow / EA	Annual report
2	Statement of Accounts 2014/15	Report	Mike Snow	Annual report

29 SEPTEMBER 2015

AUDIT ITEMS

1	National Fraud Initiative Update	Report	Ian Wilson	Annual report
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SCRUTINY ITEMS

2	Development Services Risk Register	Report		
3	Procurement Biannual Report	Report	Susan Simmonds	Biannual report

3 NOVEMBER 2015

AUDIT ITEMS

1	Annual Audit Letter	Report	Mike Snow	Annual report
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SCRUTINY ITEMS

2	Finance Contracts Register	Report		
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1 DECEMBER 2015

AUDIT ITEMS

1	Treasury Management Activity Report 2015/16	Report	Roger Wyton	1 st Half Year Biannual report
2	Internal Audit Quarterly Report – Quarter 2 2015/16	Report	Richard Barr	Quarterly report

SCRUTINY ITEMS

Appendix 1

3	Housing Business Plan Performance Management	Report	Abigail Hay	Biannual report
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12 JANUARY 2016**AUDIT ITEMS**

1	2015/16 Audit Opinion Plan	Report	Mike Snow / EA	Annual report
2	External Audit Certification of Claims and Returns	Report	Mike Snow	External Audit Annual report

SCRUTINY ITEMS

3	Procurement Biannual Report	Report	Susan Simmonds	Biannual report
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9 FEBRUARY 2016**No scheduled audit items****SCRUTINY ITEMS**

1	Chief Executives Contracts Register	Report		
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8 MARCH 2016**AUDIT ITEMS**

1	Internal Audit Strategy & Plan 2016/17 – 2018/19	Report	Richard Barr	Annual report
2	Internal Audit Quarterly Report Quarter 3 2015/16	Report	Richard Barr	Quarterly report
3	Auditing Standards	Report	Mike Snow	Annual report

No scheduled scrutiny items**5 APRIL 2016****SCRUTINY ITEMS**

2	End of Term Report	Report	Peter Dixon / Chair	Annual report
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To be arranged

Presentation on Disabled Adaptations – agreed 11 December 2012 (minute 97, Executive item 5)

Contracts Registers Reviews 2016/17

June 2016 - Health & Community Protection



APPENDIX 2 - FORWARD PLAN

Forward Plan July 2015 to November 2015

COUNCILLOR ANDREW MOBBS
LEADER OF THE EXECUTIVE

The Forward Plan is a list of all the Key Decisions which will be taken by the Executive or its Committees in the next four months. The Warwick District Council definition of a key decision is: - a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.

Whilst the majority of the Executive's business at the meetings listed in this Forward Plan will be open to the public and media organisations to attend, there will inevitably be some business to be considered that contains, for example, confidential, commercially sensitive or personal information.

This is formal notice under the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 that part of the Executive meeting listed in this Forward Plan will be held in private. This is because the agenda and reports for the meeting will contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. Those items which are proposed to be considered in private are marked as such along with the reason for the exclusion in the list below.

If you would like to make representations or comments on any of the topics listed below, including the confidentiality of any document, you can write to the contact officer, as shown below, at Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ. Alternatively you can phone the contact officer on (01926) 353362. If your comments are to be referred to in the report to the Executive or Committee they will need to be with the officer 7 working days before the publication of the agenda. You can, however, make comments or representations up to the date of the meeting, which will be reported orally at the meeting. The Forward Plan will be updated monthly and you should check to see the progress of the report you are interested in.

Section 1 – The Forward Plan July 2015 to November 2015

Topic and Reference	Purpose of report	If requested by Executive –date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
29 July 2015						
Budget Review Q1 (Ref 694)	To report expenditure for current year and update financial projections		Executive 29/07/15	Tuesday 21/07/15	Jenny Clayton Cllr Whiting	
Gypsy and Traveller Provision (Ref 705)	To update Members on progress made on the identification of sites for the use of Gypsies and Travellers		Executive 29/07/15	Tuesday 21/07/15	Lorna Coldicott Cllr Cross	
Tenants Incentive Grant Scheme (Ref 687)	To approve a revised Policy		Executive 29/07/15	Tuesday 21/07/15	Jacky Oughton Cllr Phillips	
Support and Re-settlement Service (Ref 715)	To consider an exemption from the Code of Procurement Practice.		Executive 29/07/15	Tuesday 21/07/15	Jacky Oughton Cllr Phillips	
Long Barn, Plestowes (Ref 707)	Judicial Review of Planning Decisions It is intended that this report will be Confidential by virtue of the information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.		Executive 29/07/15	Tuesday 21/07/15	Liam D’Onofrio Cllr Cross	

RCW / Cadets Rent issue (Ref 713)	To update on the current position		Executive 29/07/15	Tuesday 21/07/15	Chris Elliott Cllr Mobbs	
Becoming a Dementia Friendly Council (Ref 714)	To consider a report from Health and Community Protection		Executive 29/07/15	Tuesday 21/07/15	Rob Chapleo Cllr Mrs Grainger	
Pump Room Gardens Project (Ref 718)	To seek approval for a second round HLF Parks for People application. This application will be submitted by 31 August 2015		Executive 29/07/15	Tuesday 21/07/15	David Anderson Cllr Shilton	The Friends are members of the Pump Room Gardens Project Steering Group and have been involved in First Round application and the development of the second round application. Background Papers Exec 10/07/13
HRA Stock Condition Survey (Ref 722)	Sets out the rationale for procuring a condition survey of the housing stock and investing in associated technology.		Executive 29/07/15	Tuesday 21/07/15	Matt Jones Cllr Phillips	None.
Cost Management Contract Exemption (Ref 723)	Proposes options to extend cost management contract with Impart Links based on service requirements.		Executive 29/07/15	Tuesday 21/07/15	Matt Jones Cllr Phillips	None.

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Asset Management Strategy (Ref 641)	To propose an Asset Management Strategy for all the Council's buildings and land holdings. (Moved Reason 6 Seeking further clarification on implications of report)		5 November 2014 Executive (03/09/15)	25/08/15	Bill Hunt Cllrs Coker & Mobbs	
Council Tax Reduction Scheme (Ref 695)	To consider alternative Banded Scheme for Council Tax Reduction		Executive 03/09/15	25/08/15	Andrea Wyatt Cllr Whiting	
Budget Review to include Financial Projections and Business Rates Pooling (Ref 696)	To report on the latest financial prospects for the current and future 5 years		Executive 03/09/15	25/08/15	Jenny Clayton Cllr Whiting	
Strategic Opportunity Proposal (Ref 712)	To update Members on the current position. It is anticipated that this report will be, in part, Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that information)		Executive 03/09/15	25/08/15	Chris Elliott Cllrs Mobbs, Coker, Phillips, Whiting, Cross & Gallagher	The Local Plan proposals have been subject to a number of public consultations and planning applications involved have also been subject to public consultation. The proposal has been the subject of discussion privately and confidentially with a number of agencies but especially with the County Council. Submission version of Local Plan; Planning Application (W/14/1076);

						<p>Planning Application (W/14/0967); Report to Executive in October 2014 re Council Housing Programme; Report to Executive in November 2014 re Sports and Leisure Review.</p> <p>Reports to Council and Executive January & March 2015 re: SOP</p>
HQ Relocation (Ref 719)	Part A and B reports		Executive 03/09/15	25/08/15	Duncan Elliott Cllr Mobbs	
Proposed Creative Quarter (Ref 720)	Soft market testing		Executive 03/09/15	25/08/15	Duncan Elliott Cllrs Cross, Mrs Gallagher and Mobbs	Potential Developers / soft market testing
Sustainable Community Strategy & Fit For the Future Updates and Service Area Plans 2015/16 (Ref 724)	To propose amendments to the Sustainable Community Strategy & Fit For the Future programme of work and approve the Service Area Plans for 2015/16.		Executive 03/09/15	25/08/15	Andrew Jones Cllrs Mobbs & Coker	
Review of Service Area Plans 2014/15 (Ref 725)	To review the Council's performance as against the Service Area Plans for 2014/15.		Executive 03/09/15	25/08/15	Andrew Jones Cllrs Mobbs & Coker	

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Fees and Charges (Ref 697)	To propose the level of fees and charges to be levied from 2 nd January 2016		Executive 30/09/2015	22/09/15	Andy Crump Cllr Whiting	
Air Quality Action Plan 2015 (Ref 716)	To update and replace the Air Quality Action Plan 2008		Executive 30/09/2015	22/09/15	Grahame Helm Cllr Mrs Grainger	DEFRA, Environment Agency, Highways England, WCC, Neighbouring councils, community groups

4 November 2015

Leisure Development Programme (Ref 688)	To seek approval on the next stage of the programme on investment and management options Delayed from 09/15 – Reason 3		30 September Executive 04/11/15	27/10/2015	Rose Winship Cllr Mrs Gallagher	Background Exec 05/11/14
Budget Review Q2 (Ref 698)	To report expenditure for current year and update financial projections		Executive 04/11/15	27/10/15	Jenny Clayton Cllr Whiting	
Supporting People Grant Changes (Ref 674)	To provide an update on the outcome of the Supporting People Funding consultation and its effect on Warwick District (Moved Reason 2- Waiting for further information from a Government Agency)		Executive 11th February 2015 Executive 04/11/15	27/10/15	Jacky Oughton Cllr Phillips	

Section 2 Key decisions which are anticipated to be considered by the Council between October 2015 and January 2016

Topic and Reference	Purpose of report	If requested by Executive –date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
2 December 2015						
Private sector housing grants policy (Ref 658)	To propose a revised policy for the allocation of grant funding for private residents		Executive – 11th March 2015 Executive – 02/12/15	24/11/15	Abigail Hay Cllr Phillips	TBC
General Fund Budgets 2016-17 to include Budget Review for the current year (Ref 699)	To consider the following year revenue budgets for the General Fund		Executive – 02/12/15	24/11/15	Marcus Miskinis Cllr Whiting	
HRA Budgets 2016-17 (Ref 700)	To consider the following year revenue budgets for the HRA		Executive – 02/12/15		Mark Smith Cllr Whiting	
13 January 2016						

TO BE CONFIRMED

Topic and Reference	Purpose of report	History of Committee Dates & Reason code for deferment	Contact Officer & Portfolio Holder	Expansion on Reasons for Deferment	External Consultees/ Consultation Method/ Background Papers	Request for attendance by Committee
Health Strategy (Ref 576)	To update members on the formulation of the Council's Health Strategy, following the return of Public Health to local authorities (Moved March 14 Reason 3)	Executive 12 March 2014 TBC	Rob Chapleo Cllr Mrs Grainger	The strategy will need to take into account the approach of the new administration and County Health & Wellbeing Strategy		
Cleaning Services (Ref 659)	To approve a revised way of delivering the Cleaning Services to Council buildings.	14th Jan 2015 Executive 11th March 2015 2 February 2015 2 March 2015	Jacky Oughton Cllr Phillips	Moved from January – Reason 5 – pending further legal advice on implications of report		
Assets Review by the LLP (Ref 721)	Part A and B reports	Executive 29/07/15		Tuesday 21/07/15	Duncan Elliott Cllr Cross	

Section 3 – Items which are anticipated to be considered by the Executive but are NOT key decisions

Topic and Reference	Purpose of report	If requested by Executive – date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
29 July 2015						
Significant Business Risk Register (Ref 717)	To consider the latest version of the Significant Business Risk Register		Executive 29/07/15	Tuesday 21/07/15	Richard Barr Cllr Whiting	
RUCIS Application	To consider an application for a Rural / Urban Capital Improvement Scheme		Executive 29/07/15	Tuesday 21/07/15	Jon Dawson Cllr Whiting	
3 September 2015						
Statement of Accounts 2015-2015 (Ref 701)	To formally approve the Council's statutory accounts 2014/15		Council 23/09/15		Marcus Miskinis Cllr Whiting	
30 September 2015						
4 November 2015						

Delayed reports:

If a report is late, officers will establish the reason(s) for the delay from the list below and these will be included within the plan above:

1. Portfolio Holder has deferred the consideration of the report
2. Waiting for further information from a Government Agency
3. Waiting for further information from another body
4. New information received requires revision to report
5. Seeking further clarification on implications of report.

Details of all the Council's committees, Councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

The forward plan is also available, on request, in large print on request, by telephoning (01926) 353362