

**WARWICK DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS and**  
**ANNUAL GOVERNANCE STATEMENT 2010/11**

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## FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

Financially, the Council is continuing to go through a very challenging period. The effects of the recession were evident throughout 2010/11, and continued to impact negatively on the local economy and communities. This has also impacted upon the Council, with reduced income for some of its services, for example, car parking, and investment returns continuing to be low. The recession has also increased the demand for some Council services, notably housing and council tax benefit. With the effects of the recession continuing to impact upon local government, the public sector and the whole economy, it is important that the Council maintains adequate reserves.

Despite these challenges, the Council finished the year in a more favourable position than expected, having been able to increase its reserves by £1.4m more than planned for when the budget was set for the year. There were many items contributing to this variance, including savings on salaries and savings on service expenditure budgets. Despite this, the Council has been in the enviable position of not having to cut services.

Expenditure on capital projects totalled £8.0m, £6.5m being on Housing schemes, and £1.5m on other projects. Spending on some major projects was deferred until 2011/12. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations.

At 31 March 2011 the Council held £1.6m in the General Fund Balance, and £14.7m in earmarked reserves. The Council has no outstanding debt.

Looking forward, the main financial concern is how the limited public sector finances will impact upon the Council. Government Grant has been reduced for 2011/12 and 2012/13, with further reductions expected in future years. The Council's financial projections are based upon Revenue Support Grant being reduced by 34% over the period 2011/12 to 2014/15 to £5.9m. As part of its Fit for the Future programme, the Council is reviewing how it provides all its services, with the intention of making improvements whilst reducing costs. There are no plans to cut services. The Council's strong position with regards to the level of reserves is giving it time to plan and so make the savings necessary. Whilst these are unprecedented times, the Council is well placed for moving forward with the initiatives being undertaken and adequate reserves to support it in the short to medium term.

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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 10**   **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**   **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 86**   **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 87**   **Housing Repairs Account**

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

**Page 88**   **Collection Fund**

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

**Page 92**   **Annual Governance Statement**

This statement provides details of the measures in place to safeguard the Council's resources.

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

# EXPLANATORY FOREWORD

## 1. General Fund Summary

In February 2010 the Council approved a total net expenditure budget for 2010/11 of £18.2m (excluding Parish Precepts) and set a band D council tax for the district of £146.86. The following table shows how the net expenditure compared to the original estimates:

<u>General Fund Net Service Expenditure</u>	<b>Original £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
Central Services to the Public	603	1,185	582
Cultural and Related Expenses	6,297	6,656	359
Environmental Services	6,402	6,086	(316)
Planning and Development Services	856	2,670	1,814
Highways, Roads and Transport Services	1,010	2,304	1,294
Housing Services	1,531	1,253	(278)
Corporate and Democratic Core	2,220	2,224	4
Non Distributed Costs	757	(5,638)	(6,395)
Support Services	89	-	(89)
<b>TOTAL GENERAL FUND NET EXPENDITURE</b>	<b>19,765</b>	<b>16,740</b>	<b>(3,025)</b>
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(3,623)	(6,571)	(2,948)
- Adjust Loan Repayments, RCCO and Interest Paid	(20)	(44)	(24)
Net External Interest Received	(274)	(364)	(90)
Revenue Contributions to Capital	4,457	1,146	(3,311)
Contributions to / (from) Reserves	(1,330)	2,248	3,578
FRS17 Adjustments	(412)	5,882	6,294
Contributions to / (from) General Fund	(349)	(2,346)	(1,997)
<b>NET EXPENDITURE FOR DISTRICT PURPOSES</b>	<b>18,214</b>	<b>16,691</b>	<b>(1,523)</b>
Less Council Tax, General Revenue Grants and Collection Fund Deficit	(18,214)	(18,232)	(18)
<b>SURPLUS FOR YEAR</b>	<b>-</b>	<b>(1,541)</b>	<b>(1,541)</b>

The main factors affecting the above table are:

- Several initiatives and revenue programmes that were not completed during 2009/10, amounting to £1,643,100, were carried forward to 2010/11 as earmarked reserves. The expenditure on these items is included within the relevant service expenditure and the financing is by way of a contribution from the earmarked reserves. This has been offset by underspendings during 2010/11 of £948,100 which have been carried forward to 2011/12 as earmarked reserves.
- Salaries, and associated overheads, were underspent by £839,000.
- A major review of underspendings over the past three years identified ongoing savings of £500,000.
- Following the Government's announcement to change pension increases from the retail price index to the consumer price index the Pension Fund actuaries have estimated a past service gain of £6.1m.

## EXPLANATORY FOREWORD

- Impairments of £3,407,000 were charged to services.
- Revised estimates identified savings of £1.5m which were transferred to earmarked reserves. The final accounts identified a further net £44,000 of savings that have been transferred to the General Fund Balance.

### 2. Housing Revenue Account 2010/11

In February 2010, the Council approved a total net surplus budget on Council Housing for 2010/11 of £936,500 incorporating an estimated average rent increase of £1.35 per week, calculated using government rent restructuring guidelines. The actual average rent of £70.51 for 2010/11 was an remained an increase of £1.35 over the average rent of £69.16 for 2009/10.

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

<u>Housing Revenue Account</u>	<b>Original £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
Expenditure	20,778	115,067	94,289
Income	(21,679)	(22,532)	(853)
<b>Net Cost of HRA Services</b>	<b>(901)</b>	<b>92,535</b>	<b>93,436</b>
FRS17 Adjustments	(37)	(24)	13
Amortised Premiums and Discounts	391	391	-
Interest and Investment Income	(256)	(159)	97
Appropriations and Other Adjustments	179	(93,770)	(93,949)
<b>(SURPLUS) / DEFICIT FOR YEAR</b>	<b>(624)</b>	<b>(1,027)</b>	<b>(403)</b>

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£21.2m), and other income and charges (£1.3m). See pages 77 to 87 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 Investment Properties totals £295m. The Council has continued to maintain its debt-free status but this will change in 2012/13 with the advent of the Housing self financing regime when the Council will take on circa £150m of debt.

During 2010/11 net current assets increased by £2.4m from £30.0m to £32.4m. The main items being an increase in short term investments (+£5.1m) and Assets Held for Sale (+£0.9m) less decreases in cash and cash equivalents (-£1.7m), creditors (+£1.2m) and short term debtors (-£3.2m).

A total of £14.7m is held in earmarked reserves. Of this total, £1.7m is held for housing improvement, £3.9m is for future other capital investment and the remaining £9.1m is for specific revenue items. A full list of these reserves can be found in Note 9 to the Accounts.

A further £2.4m is held for future major housing repairs.

## EXPLANATORY FOREWORD

### 4. **Collection Fund**

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

During 2010/11 £78.9m (£76.5m in 2009/10) of Council Tax was received. The precepts and demands on the Collection Fund were: Warwickshire County Council (£60.8m), Warwick District Council (£8.8m of which £1.1m relates to Town and Parish Council precepts) and Warwickshire Police Authority (£9.420m). A deficit of £85,674 for the year reduced the opening surplus balance of £103,390 on the Fund to a closing surplus balance of £17,716. The surplus will be paid to the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (40.7p for 2010/11) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £59.6m of Business Rates (NNDR) was collected during 2010/11 (£57.9m in 2009/10). This money is passed to the Government which operates a National Pool whereby it redistributes the sums collected to all local authorities. This Council received a contribution of £9.1m for 2010/11 (£8.5m in 2009/10) from the National Pool. An allowance of £213,900 (£216,500 in 2009/10) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 88 to 91.

### 5. **Capital Expenditure**

Capital investment of £8.0m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£5.7 million
- Purchase 18B Southbank Road	£0.8 million
- Private Sector Renewal and Disabled Facilities Grants	£0.7 million
- Leisure Facilities	£0.3 million

Net capital expenditure was financed from the Council's internal resources - usable capital receipts (£0.3m), reserves (£6.9m) and revenue (£0.01m) – and Government Grants and other contributions (£0.8m).

During the year 8 council houses were sold under the Right to Buy legislation and 1 Housing Revenue Account shop was also sold.

### 6. **Treasury Management**

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

The Council continued to be debt free throughout 2010/11, having repaid its remaining external long term debt in 2003/04.

## **EXPLANATORY FOREWORD**

### **7. Euro Costs**

The Council, as part of its routine Treasury Management activities, continues to review the impact of the euro on its ongoing operations. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

### **8. Pension Costs**

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

As at 31 March 2011 this Council's pension fund liability is £21.3m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2006/07 to 2011/12 the Council's contribution rate has increased to ensure that the pension fund liability can be met in full.

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

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

2010/11 was another difficult year for the UK and Global economies. UK growth proved mixed over the year. The first half of the year saw the economy outperform expectations, although the economy slipped into negative territory in the final quarter of 2010 due to inclement weather conditions. The year finished with prospects for the UK economy being decidedly downbeat over the short to medium term while the Japanese disasters in March, and the Arab Spring, especially the crisis in Libya, caused an increase in world oil prices, which all combined to dampen international economic growth prospects.

One direct result of the poor economic climate was the reduction in the value of Riverside House as a result of the lack of interest in renting the vacant office space within the building. In addition, the market for rented office space is in decline and rental values per sq. ft. of office space have consequently seen a general decline. The combination of both factors reduced the value of Riverside House by some £1.8m.

In March 2011, slowing actual growth, together with weak growth prospects, saw consensus expectations of the first UK rate rise move back from May to August 2011 despite high inflation. However, the disparity of expectations on domestic economic growth and inflation encouraged a wide range of views on the timing of the start of increases in Bank Rate in a band from May 2011 through to early 2013. The Council's projections for its investment income are based on Bank Rate beginning to rise from December 2011 and any delay to this will have a negative impact on the Council's investment returns.

# EXPLANATORY FOREWORD

## 10. Change in Accounting Policies

The change in presenting the accounts from UK GAAP (Generally Accepted Accounting Principles) to IFRS (International Financial Reporting Standards) has required several changes in accounting policies.

Cash has been expanded to include cash equivalents, which are highly liquid investments that can be converted within 24 hours with little associated cost.

Employee benefits have been expanded to require accruals to be made for short term items such as untaken holidays which have been carried forward from one year to the next.

Capital grants are now recognised immediately, unless there are any unmet conditions, rather than being deferred and matched against expenditure.

Property, Plant and Equipment has introduced component accounting requirements whereby an asset needs to be analysed by each material, distinct element (e.g. a building would need to be broken down in elements such as land, roof, kitchen, bathroom, etc). Also, impairments are now taken initially to the Revaluation Reserve rather than being charged to services. Assets that are actively being marketed for sale need to be reclassified as "Held for Sale".

More detailed analysis is required to identify leases. The 90% test to separate financing and operating leases has been removed. Major contracts need to be examined to determine whether there are any embedded leases involved (e.g. does the contract employ assets solely used on that contract?).

As a consequence of the above changes, the 2009/10 comparative figures have had to be restated. Note 7 of the Notes to the Accounts and Note 1 of the Notes to the Housing Revenue Account details how the published 2009/10 Income and Expenditure Account has been restated to provide the comparative figures for the Comprehensive Income and Expenditure Statement. Similarly, Note 1 of the Notes to the Housing Revenue Account details how the published 2009/10 HRA Income and Expenditure Account has been restated to provide the comparative figures for the HRA Income and Expenditure Statement.

Although not required for the 2010/11 accounts, there will be a change in Accounting Policy in 2011/12 in relation to the recognition of Heritage Assets within the Council's Balance Sheet for the first time. Currently not recognised, these assets will require to be valued and be brought onto the balance sheet in 2011/12 to conform with the requirements of the Local Authority Accounting Code of Practice and FRS30.



# STATEMENT OF RESPONSIBILITIES

## The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Statement of Accounts Approved at Council Meeting September 2011

Chair of the Council Meeting

## The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2011 and its income and expenditure in the year ended 31 March 2011.

29 June 2011

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	<b>3,807</b>	<b>7,549</b>	<b>7,315</b>	<b>2,854</b>	<b>3,707</b>	<b>3,903</b>	<b>699</b>	<b>29,834</b>	<b>351,193</b>	<b>381,027</b>
<b>Movement in reserves during 2009/10</b>										
Surplus or (Deficit) on provision of services (accounting basis)	(5,131)	-	17,954	-	-	-	-	12,823	-	12,823
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	1,637	1,637
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,131)</b>	<b>-</b>	<b>17,954</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,823</b>	<b>1,637</b>	<b>14,460</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	6,810	-	(17,715)	-	(1,397)	(685)	(7)	(12,994)	12,994	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,679</b>	<b>-</b>	<b>239</b>	<b>-</b>	<b>(1,397)</b>	<b>(685)</b>	<b>(7)</b>	<b>(171)</b>	<b>14,631</b>	<b>14,460</b>
Transfers to / (from) Earmarked Reserves (Note 9)	(1,538)	1,538	807	(807)	-	-	-	-	-	-
<b>Increase / (Decrease) in 2009/10</b>	<b>141</b>	<b>1,538</b>	<b>1,046</b>	<b>(807)</b>	<b>(1,397)</b>	<b>(685)</b>	<b>(7)</b>	<b>(171)</b>	<b>14,631</b>	<b>14,460</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>3,948</b>	<b>9,087</b>	<b>8,361</b>	<b>2,047</b>	<b>2,310</b>	<b>3,218</b>	<b>692</b>	<b>29,663</b>	<b>365,824</b>	<b>395,487</b>
<b>Movement in reserves during 2010/11</b>										
Surplus or (Deficit) on provision of services (accounting basis)	1,385	-	(91,660)	-	-	-	-	(90,275)	-	(90,275)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(864)	(864)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,385</b>	<b>-</b>	<b>(91,660)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(90,275)</b>	<b>(864)</b>	<b>(91,139)</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	156	-	92,448	-	(17)	(805)	74	91,856	(91,856)	-
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,541</b>	<b>-</b>	<b>788</b>	<b>-</b>	<b>(17)</b>	<b>(805)</b>	<b>74</b>	<b>1,581</b>	<b>(92,720)</b>	<b>(91,139)</b>
Transfers to / (from) Earmarked Reserves (Note 9)	(3,843)	3,843	239	(239)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(2,302)</b>	<b>3,843</b>	<b>1,027</b>	<b>(239)</b>	<b>(17)</b>	<b>(805)</b>	<b>74</b>	<b>1,581</b>	<b>(92,720)</b>	<b>(91,139)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>1,646</b>	<b>12,930</b>	<b>9,388</b>	<b>1,808</b>	<b>2,293</b>	<b>2,413</b>	<b>766</b>	<b>31,244</b>	<b>273,104</b>	<b>304,348</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
2009/10	2009/10	2009/10			2010/11	2010/11	2010/11
£000	£000	£000			£000	£000	£000
10,392	(9,509)	883	Central Services to the Public		10,991	(9,806)	1,185
10,668	(4,165)	6,503	Cultural and Related Services		10,219	(3,563)	6,656
8,797	(2,557)	6,240	Environmental Services		9,029	(2,943)	6,086
6,909	(2,104)	4,805	Planning and Development Services		5,273	(2,403)	2,870
3,288	(3,178)	110	Highways, Roads and Transport Services		5,353	(3,049)	2,304
4,148	(22,471)	(18,323)	Local Authority Housing (HRA)		114,971	(22,532)	92,439
30,807	(29,166)	1,641	Other Housing Services		32,206	(30,953)	1,253
1,955	(6)	1,949	Corporate and Democratic Core		2,323	(3)	2,320
820	-	820	Non-Distributed Costs		428	-	428
-	-	-	Exceptional gain on past service pension costs		(6,066)	-	(6,066)
<b>77,784</b>	<b>(73,156)</b>	<b>4,628</b>	<b>Cost of Services - continuing operations</b>		<b>184,727</b>	<b>(75,252)</b>	<b>109,475</b>
1,413	-	1,413	Other Operating Expenditure	10	1,692	(659)	1,033
6,021	(5,022)	999	Financing and Investment Income and Expenditure	11	5,966	(6,282)	(316)
-	-	-	Surplus or Deficit of Discontinued Operations		-	-	-
-	(19,863)	(19,863)	Taxation and Non-Specific Grant Income	12	-	(19,919)	(19,919)
		<b>(12,823)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>90,273</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(10,681)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment assets				9,708
		18	(Surplus) or Deficit on revaluation of available for sale financial assets				-
		9,026	Actuarial (gains) / losses on pension assets / liabilities				(8,844)
		<b>(1,637)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>864</b>
		<b>(14,460)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>91,137</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority 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'.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
367,842	392,761	Property, Plant and Equipment	13	284,481
9,094	9,210	Investment Properties	16	10,388
210	195	Intangible Assets	17	153
2	2	Long Term Investments	18	2
106	94	Long Term Debtors	18	103
<b>377,254</b>	<b>402,262</b>	<b>LONG TERM ASSETS</b>		<b>295,127</b>
21,223	24,130	Short Term Investments	18	29,230
-	-	Assets Held for Sale	19	884
11	16	Inventories	20	56
8,502	8,324	Short Term Debtors	21	5,141
8,877	5,631	Cash and Cash Equivalents	22	3,979
<b>38,613</b>	<b>38,101</b>	<b>CURRENT ASSETS</b>		<b>39,290</b>
(9,239)	(8,022)	Short Term Creditors	23	(6,804)
(94)	(108)	Insurance Provision Liabilities payable in less than 1 year	24	(118)
<b>(9,333)</b>	<b>(8,130)</b>	<b>CURRENT LIABILITIES</b>		<b>(6,922)</b>
-	-	Long Term Creditors		-
(502)	(274)	Insurance Provision Liabilities payable in more than 1 year	24	(213)
-	-	Long Term Borrowing		-
(87)	(32)	Other Long Term Liabilities	18	(18)
(1,097)	(1,882)	Capital External Grants/Contributions in Advance	35	(1,598)
(23,927)	(34,558)	Net Pensions Liability	41	(21,318)
<b>(25,613)</b>	<b>(36,746)</b>	<b>LONG TERM LIABILITIES</b>		<b>(23,147)</b>
<b>380,921</b>	<b>395,487</b>	<b>NET ASSETS</b>		<b>304,348</b>
29,728	29,663	Usable Reserves	25	31,244
351,193	365,824	Unusable Reserves	26	273,104
<b>380,921</b>	<b>395,487</b>	<b>TOTAL RESERVES</b>		<b>304,348</b>

## CASH FLOW STATEMENT

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

<b>2009/10</b> <b>£000</b>		<b>Notes</b>	<b>2010/11</b> <b>£000</b>
(12,823)	Net (Surplus) or deficit on the provision of services		90,273
8,592	Adjust net (surplus) or deficit on the provision of services for noncash movements		(100,147)
(123)	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		659
<b>(4,354)</b>	<b>Net cash flows from Operating Activities</b>	27	<b>(9,215)</b>
7,569	Investing Activities	28	10,867
31	Financing Activities	29	-
<b>3,246</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>1,652</b>
(8,877)	Cash and cash equivalents at the beginning of the reporting period		(5,631)
<b>(5,631)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(3,979)</b>

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

### a. **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by the International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

### d. Business Improvement District schemes

Business Improvement District (BID) schemes are projects for the benefit of a particular area within the district that are financed by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area. There was one BID scheme in operation during 2010/11 - in Leamington Spa - for which the Council acts as an agent. The following amounts only are recognised in the Council's service expenditure:

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

### e. Cash and Cash Equivalents

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

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

### f. Acquisition and Discontinued Operations

There were no acquired or discontinued operations during 2010/11.

### g. Employee Benefits

#### Benefits Payable During Employment

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

#### Termination Benefits

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

## NOTES TO THE ACCOUNTS

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

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

### **Post Employment Benefits**

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

### **Local Government Pension Scheme**

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

- The liabilities of the Warwickshire County Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.6% based on a weighted average of “spot yields” on AA rated corporate bonds.
- The assets of the Warwickshire County Council Pension Scheme attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property securities – current bid price.
- The change in the net pensions liability is analysed into seven components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus



## NOTES TO THE ACCOUNTS

or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Warwickshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

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

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

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

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

### **i. Exceptional Items and Prior Period Adjustments**

There have been no exceptional items and prior period adjustments.

### **j. Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured

## NOTES TO THE ACCOUNTS

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

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

### **Financial Assets**

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments. For assets in the Balance Sheet within this category the quoted price is the market price at 31 March 2011.
- fair value through profit and loss – assets that are held for trading. For assets in the Balance Sheet within this category the valuation is based on the market price at 31 March 2011.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the 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

## NOTES TO THE ACCOUNTS

few "soft" loans that the Council has require no adjustment to the accounts as they are de-minimus.

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

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

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

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

### **Fair Value through profit and loss**

These instruments are recognised at fair value and relate to instruments which are acquired or incurred principally for the purpose of generating short term profits

## NOTES TO THE ACCOUNTS

through selling in an active market. The Council's Invesco Investment Management Fund fell within this category and any gains or losses incurred on the trading of individual instruments through the year were posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The Council's use of Invesco was discontinued in 2009/10.

### **k. Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no such gains or losses at 31<sup>st</sup> March 2011.

### **l. Government Grants and Other Contributions**

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

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

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

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

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

### **m. Intangible Assets**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised

## NOTES TO THE ACCOUNTS

where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets the 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 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.

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.

In 2010/11, the Council incurred expenditure of £33,835 on software licences for the new Committee System, IDOX Public Access Module of the Planning System and a Process Module for the Active H Housing Management System. These licences are infinite and therefore the cost has been held on the balance sheet with no charges to revenue.

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

Rental income received in relation to investment properties is credited to the Financing and Investment Income line which is also debited with the direct operating

## NOTES TO THE ACCOUNTS

expenditure on investment properties and this results in a net gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **p. 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 the assets. The Council does not have any arrangements of this nature.

### **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 rising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the repayment of the principal element of the lease in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

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



## NOTES TO THE ACCOUNTS

a rent-free period at the commencement of the lease). It has been determined that a leases where the Council is the Lessee fall into this category.

### **The Council as Lessor**

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on 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 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 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 asset, even if this does not match the pattern of payments (e.g. there is a premium paid at commencement of the lease). Where identifiable, initial direct costs incurred in negotiating and arranging the lease can be 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.

## NOTES TO THE ACCOUNTS

### q. 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 *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### r. Property, Plant and Equipment and Investment Properties

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 or in the case of rental to others as Investment Properties.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure 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:



## NOTES TO THE ACCOUNTS

- 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 2010/11 which have not been the subject of a valuation are included at historical cost.
- Non-operational assets, including investment property, have been valued at open market value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) are valued at historical cost.
- A number of values in the Balance Sheet for General Fund properties are based on 1 April 2010 valuations. The vast majority of values in the Balance Sheet for General Fund properties are based on 1<sup>st</sup> April 2009 valuations. These have been updated, where appropriate, for capital expenditure, sales, impairments and depreciation in 2010/11 to provide the value at 31<sup>st</sup> March 2011 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 the valuation is based upon the valuation at 1st April 2011 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. With the exception of Investment Properties where increases in value are matched by credits to the Capital Adjustment Account, increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains or losses on Investment Properties are charged to the Comprehensive Income & Expenditure Statement and then reversed out as part of the statutory adjustments in the Statement of Movements in Reserves. Also gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account and this has happened in 2010/11 in the General Fund

Other than for Investment Properties, 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 reduction in 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.

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

### **Impairment**

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve the reduction in the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

## NOTES TO THE ACCOUNTS

- 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 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 up to 2009/10 was 49% i.e. the EUV-SH value is 49% 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. For 2010/11 the adjustment factor has been reduced from 49% to 34% and this has led to the value of the housing stock dropping by £105m, £95m of which is chargeable to the HRA as revaluation losses with the balance being charged against revaluation gains held in the Revaluation Reserve. However, such revaluation losses are not to impact on the "bottom line" of the HRA and have been reversed out and debited to the Capital Adjustments Account.

Due to the economic climate an impairment review of certain General Fund assets was carried out by the District Valuer at the end of 2010/11. It was found that, due to a lack of interest in the office rental market, the value of Riverside House declined by some £1.8m when compared with the value at 1<sup>st</sup> April 2010. £0.2m of this reduction was absorbed by the Revaluation Reserve and the rest was debited to the Office accommodation service account in the Comprehensive Income and Expenditure Statement. There were further revaluation impairments amounting to £2.2m in respect of various car parks, the Town Hall, parks & open Spaces and the golf course charged to service expenditure within the Comprehensive Income & Expenditure Statement This was offset by £0.5m credited to the Car Park service line in the Comprehensive Income and Expenditure Statement in respect of Guy Street/Chandos Street car park where the value had increased as a result of the impairment review and, therefore reversed the revaluation impairment charges made to the car park service in previous years.

### Depreciation

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

Depreciation is calculated on the following bases:

<b>Asset Type</b>	<b>Depreciation Method</b>	<b>Period of Years</b>
General Fund Buildings	Straight Line	5 to 60 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Vehicles, Plant, Furniture and Equipment	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	45 to 65 years
HRA Garages	Straight Line	10 years

## NOTES TO THE ACCOUNTS

Under IFRS accounting principles, where an item of Property Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and where also the life of the component or components is significantly different to that of the asset as a whole such as to make to a material difference to the amount of depreciation charged to the service account in respect of that asset, 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 & Equipment below this level will not be assessed for componentisation on the grounds that the difference in depreciation will be limited.

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

In respect of the General Fund assets, those revalued at 1<sup>st</sup> April 2010 with Current Net Book Values of £500,000 or above, principally the Leisure Centres, Town Hall and Riverside House, have been assessed based on information supplied by the District Valuer and in all cases it has been found that the depreciation calculated for the individual components, essentially substructure, superstructure, fittings & furnishings, services, external works and land is not significantly different to that charged for the asset as a whole and therefore depreciation of the separate components is not required.

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

With regard to assets within the Housing Revenue Account, guidance from DCLG has been received indicating that leading up to the commencement of the self financing regime on 1<sup>st</sup> April 2012, 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

## NOTES TO THE ACCOUNTS

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 2010/11 18A & 18B Southbank Road because of their imminent disposal as part of the Wilton House development site have been reclassified from Surplus Assets to Assets Held for Sale with a value in the balance sheet of £883.5k. As a result of this reclassification, a decrease in fair value of £46.5k has been debited to the Comprehensive Income and Expenditure Statement as described above and then reversed out to the Capital Adjustments Account in order to ensure that there is no impact on the Council's finances for the year. It should be noted that Wilton House itself is an Investment Property and as such the code does not permit its transfer to Assets Held for Sale and it continues to be accounted for as Investment Property within the balance sheet until the actual date of its disposal.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Usable Capital Receipts at 31 March 2011 amounted to £2,293,268. Interest on usable capital receipts held during the year is credited to the General Fund.

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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.

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

#### Provisions

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

## NOTES TO THE ACCOUNTS

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.

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

### Contingent Assets

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

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

## **t. Reserves**

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

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

## **u. 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

## NOTES TO THE ACCOUNTS

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.

### **v. 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.

### **w. 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.

### **x. 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.

### **y. Agency Income and Expenditure**

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

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

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

For 2010/11 the only accounting policy that needs to be reported relates to FRS30 *Heritage Assets*. Because the Code is not adopting FRS30 until 2011/12 no accounting policy is applicable.

## **3. Critical Judgements in Applying Accounting Policies**

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

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



## NOTES TO THE ACCOUNTS

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

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will 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 £232k 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 2011 where such excesses have been negotiated when agreeing premiums.	An increase over the forthcoming year of 10% in settlements would have the effect of adding £15,000 to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The Pensions actuary will set the employer's pension contribution rates to ensure that pension liabilities are met.
Arrears	At 31 March 2011, the Council had a balance of arrears of Housing Rents, Council Tax and	If collection rates were to deteriorate, a doubling of the amount of the impairment of

## NOTES TO THE ACCOUNTS

NNDR and other sundry debtors for £6.4m. A review of the above suggested that an impairment of doubtful debts of 39.06% (£2.5m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

doubtful debts would require an additional £2.5m to be set aside as an allowance.

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

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

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

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

The Statement of Accounts was authorised for issue by the Head of Finance on 30 June 2011. 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 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



# NOTES TO THE ACCOUNTS

## 7. Reconciliation of 2009/10 Income and Expenditure Account and comparative Comprehensive Income and Expenditure Statement

	2009/10 STATEMENTS										2009/10					Gains / Losses on Disposal £000	Capital Grants £000	Restated Income £000	Net Original £000	Net Restated £000
	Expenditure		Original Total £000	Employee Benefits £000	Impairs. £000	Copier Leases £000	Invest Properties £000	Change in Support £000	Other Change £000	Restated Expend. £000	Statements Income £000	Govt Grants		Invest Properties £000	Decent Homes £000					
	Direct £000	Support £000										Deferred £000	REFCUS £000							
Central Services	10,382	(5)	10,377	9	-	-	-	6	-	10,392	(9,509)	-	-	-	-	-	(9,509)	868	883	
Cultural and Related	10,664	(5)	10,659	3	-	-	-	6	-	10,668	(4,165)	-	-	-	-	-	(4,165)	6,494	6,503	
Environmental	8,777	(4)	8,773	20	-	-	-	4	-	8,797	(2,632)	75	-	-	-	-	(2,557)	6,141	6,240	
Planning	8,384	(4)	8,380	31	(996)	-	(512)	6	-	6,909	(3,957)	1,237	-	616	-	-	(2,104)	4,423	4,805	
Highways	3,288	(2)	3,286	-	-	-	-	2	-	3,288	(3,189)	11	-	-	-	-	(3,178)	97	110	
HRA	4,115		4,115	32	-	-	-	1	-	4,148	(22,103)	-	-	-	-	(368)	(22,471)	(17,988)	(18,323)	
Housing	30,796	(17)	30,779	8	-	-	-	20	-	30,807	(29,615)	449	-	-	-	-	(29,166)	1,164	1,641	
Corporate Core	1,955	(1)	1,954	-	-	-	-	1	-	1,955	(6)	-	-	-	-	-	(6)	1,948	1,949	
Non-Distributed Costs	1,092	-	1,092	-	(272)	-	-	-	-	820	-	-	-	-	-	-	-	1,092	820	
<b>Net Cost of Services</b>	<b>79,453</b>	<b>(38)</b>	<b>79,415</b>	<b>103</b>	<b>(1,268)</b>	<b>-</b>	<b>(512)</b>	<b>46</b>	<b>-</b>	<b>77,784</b>	<b>(75,176)</b>	<b>1,772</b>	<b>-</b>	<b>616</b>	<b>-</b>	<b>(368)</b>	<b>(73,156)</b>	<b>4,239</b>	<b>4,628</b>	
Gains or Losses on Sale of Fixed Assets			563							563						(449)	(449)	563	114	
Contribution to Housing Pooled Capital Receipts			262							262							-	262	262	
Parish Council Precepts			1,038						(1)	1,037							-	1,038	1,037	
<b>Other Operating Expenditure</b>			<b>1,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>1,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(449)</b>	<b>(449)</b>	<b>1,863</b>	<b>1,413</b>	
Interest Payable			4							8							-	4	8	
Interest and Investment Income										-	(1,316)						(1,316)	(1,316)	(1,316)	
Investment Properties Revaluations									347	347							-	-	347	
Investment Properties I & E										512			(616)				(616)	-	(104)	
Investment Gains / Losses			9							9							-	9	9	
Pensions Interest & Return			2,055							2,055							-	2,055	2,055	
<b>Financing &amp; Investment I&amp;E</b>			<b>2,068</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>512</b>	<b>-</b>	<b>347</b>	<b>2,931</b>	<b>(1,316)</b>	<b>-</b>	<b>-</b>	<b>(616)</b>	<b>-</b>	<b>-</b>	<b>(1,932)</b>	<b>752</b>	<b>999</b>	
Demand on Collection Fund										-	(8,529)						(8,529)	(8,529)	(8,529)	
General Government Grants										-	(2,046)						(2,046)	(2,046)	(2,046)	
Non-Domestic Rates Distribution										-	(8,455)						(8,455)	(8,455)	(8,455)	
Capital Grants and External Contributions										-	-		604	(167)	(1,270)	(833)	-	-	(833)	
<b>Taxation and Non-Specific Grant Income</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,030)</b>	<b>-</b>	<b>604</b>	<b>-</b>	<b>(167)</b>	<b>-</b>	<b>(1,270)</b>	<b>(19,863)</b>	<b>(19,030)</b>	
<b>(Surplus) or Deficit on Provision of Services</b>			<b>83,346</b>	<b>103</b>	<b>(1,268)</b>	<b>4</b>	<b>-</b>	<b>46</b>	<b>346</b>	<b>82,577</b>	<b>(95,522)</b>	<b>1,772</b>	<b>604</b>	<b>-</b>	<b>(167)</b>	<b>(817)</b>	<b>(1,270)</b>	<b>(95,400)</b>	<b>(12,176)</b>	

# NOTES TO THE ACCOUNTS

## 8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(5,480)	-		(3,400)		8,880
Revaluation losses on Property Plant and Equipment	(47)	(94,989)				95,036
Movements in the market value of Investment Properties	1,056	-				(1,056)
Amortisation of intangible assets	(75)	-				75
Capital grants and contributions applied	250	-				(250)
Movement in the Donated Assets Reserve						-
Revenue expenditure funded from capital under statute	(1,016)	(64)				1,080
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	14	(199)				185
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment						-
Capital expenditure charged against General Fund and HRA balances	1,162	1,224				(2,386)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	530	-			(529)	(1)
Application of grants to capital financing transferred to the Capital Adjustment Account	(244)	-			455	(211)

# NOTES TO THE ACCOUNTS

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

# NOTES TO THE ACCOUNTS

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

# NOTES TO THE ACCOUNTS

2009/10	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(2,411)	-		(4,232)		6,643
Revaluation losses on Property Plant and Equipment	(2,653)	16,109				(13,456)
Movements in the market value of Investment Properties	(347)	-				347
Amortisation of intangible assets	(334)	(24)				358
Capital grants and contributions applied	1,270	-				(1,270)
Movement in the Donated Assets Reserve						-
Revenue expenditure funded from capital under statute	(1,197)	(80)				1,277
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	-	(113)				113
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	31					(31)
Capital expenditure charged against General Fund and HRA balances	489	1,853				(2,342)
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	167				7	(174)
Application of grants to capital financing transferred to the Capital Adjustment Account						-

# NOTES TO THE ACCOUNTS

2009/10	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement			-			
Use of the Capital Receipts Reserve to finance new capital expenditure		367	1,135			(1,502)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			-			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(262)	-	262			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement						-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	(585)		585		
Use of the Major Repairs Reserve to finance new capital expenditure				4,332		(4,332)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(118)	465				(347)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(3,179)	(429)				3,608
Employer's pensions contributions and direct payments to pensioners payable in the year	1,819	184				(2,003)

# NOTES TO THE ACCOUNTS

2009/10	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1)	-				1
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(84)	(32)				116
<b>Total Adjustments</b>	<b>(6,810)</b>	<b>17,715</b>	<b>1,397</b>	<b>685</b>	<b>7</b>	<b>(12,994)</b>

# NOTES TO THE ACCOUNTS

## 9. 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 2009/10.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
<b>General Fund:</b>							
Capital Investment	2,831	(423)	350	2,758	(1,167)	2,087	3,678
Corporate Property Programme Reserve	160	-	4	164	-	3	167
Gym Equipment Replacement Reserve	92	(60)	31	63	-	31	94
Art Fund Reserve	41	(3)	2	40	-	4	44
Art Gallery Gift Reserve	53	-	2	55	-	1	56
Assembly Rooms Rep. and Renew. Res	6	-	1	7	-	1	8
Best Value Reserve	62	(63)	1	-	-	-	-
Building Control Reserve	51	-	32	83	-	43	126
Car Parks Repairs & Maintenance Reserve	-	-	-	-	-	125	125
Earmarked Balances Reserve	1,470	(1,470)	1,643	1,643	(1,643)	1,340	1,340
Election Expenses	22	-	30	52	-	31	83
Energy Management	57	-	27	84	-	11	95
Equipment Renewals Reserve	1,082	(35)	402	1,449	(36)	429	1,842
G M Commuted Sums	583	(68)	11	526	(69)	26	483
GF Early Retirements Reserve	505	(303)	110	312	(42)	6	276
Insurance Reserve	347	-	7	354	-	7	361
Planning Appeal Reserve	187	(41)	404	550	(9)	186	727
Play Equipment Reserve	-	-	-	-	-	200	200
Public Open Space Planning Gain Reserve	-	-	-	-	-	28	28
Revenue Grants / Contributions Received in Advance	-	-	-	-	-	863	863
Services Transformation Reserve	-	-	-	-	-	1,475	1,475
Spencers Yard Reserve	-	(12)	12	-	-	-	-
Spend To Save Reserve	-	(86)	1,033	947	(262)	119	804
Tourism Reserve	-	-	-	-	-	55	55
<b>TOTAL GENERAL FUND</b>	<b>7,549</b>	<b>(2,564)</b>	<b>4,102</b>	<b>9,087</b>	<b>(3,228)</b>	<b>7,071</b>	<b>12,930</b>
<b>HRA:</b>							
Housing Repairs Account	2,804	(5,532)	4,717	1,989	(5,197)	4,942	1,734
HRA Early Retirements Reserve	50	(1)	9	58	(2)	8	64
Revenue Grants / Contributions Received in Advance	-	-	-	-	-	10	10
<b>TOTAL HRA</b>	<b>2,854</b>	<b>(5,533)</b>	<b>4,726</b>	<b>2,047</b>	<b>(5,199)</b>	<b>4,960</b>	<b>1,808</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>10,403</b>	<b>(8,097)</b>	<b>8,828</b>	<b>11,134</b>	<b>(8,427)</b>	<b>12,031</b>	<b>14,738</b>



# NOTES TO THE ACCOUNTS

## 10. Other Operating Expenditure

Gross Expenditure 2009/10 £000	Gross Income 2009/10 £000	Net Expenditure 2009/10 £000		Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Net Expenditure 2010/11 £000
1,037	-	1,037	Parish Council Precepts	1,074	-	1,074
262	-	262	Payments to Govt. Housing Capital Receipts Pool	618	-	618
114	-	114	Gain or loss on the disposal of non-current assets	-	(659)	(659)
<b>1,413</b>	<b>-</b>	<b>1,413</b>	<b>Total</b>	<b>1,692</b>	<b>(659)</b>	<b>1,033</b>

## 11. Financing and Investment Income and Expenditure

Gross Expenditure 2009/10 £000	Gross Income 2009/10 £000	Net Expenditure 2009/10 £000		Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Net Expenditure 2010/11 £000
8	-	8	Interest Payable and similar charges	-	-	-
-	(1,316)	(1,316)	Interest receivable and similar income	-	(521)	(521)
859	(616)	243	Income and expenditure in relation to investment properties and changes in their fair value	405	(1,662)	(1,257)
9	-	9	Investment (Gains) / Losses	-	-	-
5,145	-	5,145	Pensions Interest Cost	5,561	-	5,561
-	(3,090)	(3,090)	Expected Return on Pensions Assets	-	(4,099)	(4,099)
<b>6,021</b>	<b>(5,022)</b>	<b>999</b>	<b>Total</b>	<b>5,966</b>	<b>(6,282)</b>	<b>(316)</b>

## 12. Taxation and Non Specific Grant Incomes

Gross Expenditure 2009/10 £000	Gross Income 2009/10 £000	Net Expenditure 2009/10 £000		Gross Expenditure 2010/11 £000	Gross Income 2010/11 £000	Net Expenditure 2010/11 £000
-	(8,529)	(8,529)	Council Tax income	-	(8,793)	(8,793)
-	(2,046)	(2,046)	Non-ringfenced Government Grants	-	(1,367)	(1,367)
-	(8,455)	(8,455)	Non-Domestic Rates Distribution	-	(9,136)	(9,136)
-	(833)	(833)	Capital Grants and Contributions	-	(623)	(623)
<b>-</b>	<b>(19,863)</b>	<b>(19,863)</b>	<b>Total</b>	<b>-</b>	<b>(19,919)</b>	<b>(19,919)</b>

# NOTES TO THE ACCOUNTS

## 13. Property, Plant and Equipment

### Movements on Balances

Movements in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2010	372,913	70,085	5,755	886	6,660	1,215	362	457,876
Additions	5,732	54	362	-	51	675	-	6,874
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(10,176)	757	-	-	-	39	-	(9,380)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(94,659)	(3,257)	-	-	-	(125)	-	(98,041)
Derecognition - disposals	(139)	(45)	-	-	-	-	-	(184)
Derecognition - other	-	-	-	-	-	-	(342)	(342)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	(930)	-	(930)
Other movements in cost or valuation	-	(122)	-	-	-	-	-	(122)
At 31 March 2011	273,671	67,472	6,117	886	6,711	874	20	355,751
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2010	(48,436)	(13,938)	(2,266)	(64)	(105)	(306)	-	(65,115)
Depreciation charge for 2010/11	(2,944)	(1,972)	(781)	(23)	(46)	(37)	-	(5,803)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(326)	-	-	-	-	-	(326)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(26)	-	-	-	-	-	(26)
Derecognition - disposals	-	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2011	(51,380)	(16,262)	(3,047)	(87)	(151)	(343)	-	(71,270)
<b>Net Book Value</b>								
31 March 2011	222,291	51,210	3,070	799	6,560	531	20	284,481
31 March 2010	324,477	56,147	3,489	822	6,555	909	362	392,761

# NOTES TO THE ACCOUNTS

## Movements on Balances

Movements in 2009/10

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2009	340,753	71,241	5,117	886	6,660	881	576	426,114
Additions	5,988	556	638	-	-	469	348	7,999
Donations	-	-	-	-	-	-	-	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	10,176	422	-	-	-	(135)	-	10,463
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	16,109	(2,234)	-	-	-	-	-	13,875
Derecognition - disposals	(113)	-	-	-	-	-	-	(113)
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	100	-	-	-	-	(562)	(462)
At 31 March 2010	372,913	70,085	5,755	886	6,660	1,215	362	457,876
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2009	(44,827)	(11,764)	(1,480)	(41)	(66)	(94)	-	(58,272)
Depreciation charge for 2009/10	(3,609)	(2,174)	(786)	(23)	(39)	(12)	-	(6,643)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	(200)	-	(200)
Derecognition - disposals	-	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2010	(48,436)	(13,938)	(2,266)	(64)	(105)	(306)	-	(65,115)
<b>Net Book Value</b>								
31 March 2010	324,477	56,147	3,489	822	6,555	909	362	392,761
31 March 2009	295,926	59,477	3,637	845	6,594	787	576	367,842

# NOTES TO THE ACCOUNTS

## Depreciation

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

- Council dwellings: 90 years
- Other Land and Buildings: 5 – 65 years
- Vehicles, Plant, Furniture and Equipment: 3 – 21 years
- Infrastructure: 40 years
- Community Assets up to 50 years

## Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £11.8m. Similar commitments at 31 March 2010 were £15.7m. The major commitments are:

	<b>£000</b>
<b>General Fund:</b>	
Car Park Enhancements	338
Riverside House - One Stop Shop	296
Replacement IT Equipment	151
<b>Housing Investment Programme:</b>	
Council House Improvements / Renewals	8,342
Housing Associations - Grants re New Dwellings / Improvements	1,370
Asbestos Surveys	1,217
Renovation Grants and Disabled Facilities Grants	881

## 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 2011. In the case of land (excluding the land element of the Council Dwellings and Other HRA Property) the valuation date is 1<sup>st</sup> April 2010. The Council Dwellings and Other HRA Property in the Housing Revenue Account are subject to an annual "desktop" review with a full revaluation once every five years, the last one of which was carried out for the 1 April 2010 valuation. The valuations were undertaken by Mr. B. Franklin MRICS for the District Valuer and also by Mr. I. Wilson MRICS, also for the District Valuer, and Mr. C. Makasis MRICS, the Council's in-house Estate Manager. During 2010/11 one fifth of the General Fund Property Assets and all the Housing Revenue Account land was valued as at 1st April 2010 in what was the first 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 values at 31<sup>st</sup> March 2011 also take account of any depreciation, impairments and in year capital expenditure which has occurred since the last valuation took place for that specific asset.

Due to the continuing poor economic conditions prevailing in 2010/11, the District Valuer (Mr. I. Wilson and others) has also undertaken an impairment review on the Council's General Fund Property Assets and this information has been used in providing the 31st March 2011 values

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	-	98	3,070	799	6,560	-	20	10,547
Valued at fair value as at:								
- 2010/11	222,291	44,830	-	-	-	-	-	267,121
- 2009/10	-	2,825	-	-	-	322	-	3,147
- 2008/09	-	3,457	-	-	-	209	-	3,666
<b>Total Cost or Valuation</b>	<b>222,291</b>	<b>51,210</b>	<b>3,070</b>	<b>799</b>	<b>6,560</b>	<b>531</b>	<b>20</b>	<b>284,481</b>

## 14. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in the 2010/11 financial statements. The new standard will require that a new class of assets, heritage assets, is disclosed separately on the face of the Council's balance sheet in the 2011/12 financial statements.

Heritage Assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the Ceramic and Fine Art collections either exhibited or stored in the Art Gallery and Museum located in the Royal Pump Rooms.

These collections are currently not recognised in the financial statements as no information is available on the cost of the assets within the collections enabling them to be held on a historic cost basis within the balance sheet. The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The Council anticipates that it will be able to recognise its Ceramic and Fine Art collections on the balance sheet using as its base the detailed insurance valuations held by the Council. These valuations were supplied by Locke & England who in January 2008 valued the Ceramics Collection at £364,573 and the Fine Art Collection at £7,604,680. Bringing these valuations onto the balance sheet will mean an increase of some £8m in the revaluation reserve.

The Council considers that these assets will have indeterminate lives and a high residual value hence the Council does not consider it appropriate to charge depreciation for these assets. There will, therefore, be no change to the depreciation charged in the financial statements.

## 15. Community Assets

The Council's Community Assets (Jephson Gardens, St Mary's Lands, Victoria Park etc.) are currently held in the balance sheet on a historic cost basis. The adoption by the Code of FRS 30 as outlined in Note 14 adds the option for the Council to change from a historic cost basis to a valuation basis as described in Note 14. At this point in time the Council has not considered this option but will do so in time for the 2011/12 accounts.

# NOTES TO THE ACCOUNTS

## 16. Investment Properties

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

	2010/11 £000	2009/10 £000
Rental income from investment property	606	616
Direct operating expenses arising from investment property	(405)	(512)
<b>Net gain / (loss)</b>	<b>201</b>	<b>104</b>

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

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

	2010/11 £000	2009/10 £000
<b>Balance at start of the year</b>	<b>9,210</b>	9,094
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	-	-
Net gains / losses from fair value adjustments	1,056	(346)
Transfers:		
- to / from Inventories	-	-
- to / from Property, Plant and Equipment	122	462
Other changes	-	-
<b>Balance at end of year</b>	<b>10,388</b>	9,210

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 generate rental income of £1,620,000. Details of these properties are disclosed in Note 38 Leases.

## 17. 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 both purchased licences and software.

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

3 years	Microsoft Office upgrades	Amount amortised	£17,040
	Electronic Database Licences	Amount amortised	£1,410

## NOTES TO THE ACCOUNTS

4 years	Financial Management System	Amount Amortised	£5,300
8 years	e-Consultation Software	Amount Amortised	£1,244

The carrying amount of intangible assets is amortised on a straight-line basis but where the intangible asset has an indefinite life then the value of that asset is left on the balance sheet and not amortised to revenue. During 2010/11 expenditure was incurred on the new Committee System, the IDOX Public Access module for the Planning System and a Process Management module for the Active H Housing Management system. In all three cases there was no finite life and therefore this expenditure is reflected in the 31/3/11 balance sheet. They are however subject to an annual impairment review which could result in charges being made to revenue should any of them be no longer performing at its previous level. For instance if the Process Management module was made redundant by being replaced by a more up to date version then any costs relating to it still remaining in the balance sheet would have to be written off to revenue and then reversed out to the Capital Adjustments Account so that there is no detrimental impact on the council's finances.

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

	2010/11			2009/10		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Balance at start of year:			-			-
- Gross carrying amount	786	-	786	468	-	468
- Accumulated amortisation	(591)	-	(591)	(258)	-	(258)
<b>Net carrying amount at start of year</b>	<b>195</b>	<b>-</b>	<b>195</b>	<b>210</b>	<b>-</b>	<b>210</b>
Additions:						
- Purchases	11	23	34	318	24	342
Disposals	-	-	-	-	-	-
Revaluations increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised or reversed Surplus / Deficit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	(76)	-	(76)	(333)	(24)	(357)
Other changes	-	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>130</b>	<b>23</b>	<b>153</b>	<b>195</b>	<b>-</b>	<b>195</b>
<b>Comprising:</b>						
- Gross carrying amount	797	23	820	786	-	786
- Accumulated amortisation	(667)	-	(667)	(591)	-	(591)
	<b>130</b>	<b>23</b>	<b>153</b>	<b>195</b>	<b>-</b>	<b>195</b>

The Intangible Assets balance at 31<sup>st</sup> March includes expenditure relating to the Warwickshire On Line Partnership (original cost £92,000 of which £68,707 remains) transferred to the Council from North Warwickshire Borough Council as its share of the overall cost of setting up the On Line Partnership. This expenditure was originally financed by Government Grant under the Implementing Electronic Government initiative. However, the Council does not revalue this software as no comparable licences are currently commercially available for purchase.

# NOTES TO THE ACCOUNTS

## 18. Financial Instruments

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

	Long Term		Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
<b>Investments:</b>				
Loans and receivables	2	2	33,051	29,596
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial Assets at fair value through profit and loss	-	-	-	-
<b>Total Investments</b>	<b>2</b>	<b>2</b>	<b>33,051</b>	<b>29,596</b>
<b>Debtors:</b>				
Loans and receivables	103	94	8,206	11,663
Financial Assets carried at contract amounts	-	-	-	-
<b>Total Debtors</b>	<b>103</b>	<b>94</b>	<b>8,206</b>	<b>11,663</b>
<b>Borrowings:</b>				
Financial Liabilities at amortised cost	-	-	-	-
Financial Liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Creditors:</b>				
Financial Liabilities at amortised cost	-	-	(10,576)	(11,466)
Financial Liabilities carried at contract amounts	-	-	-	-
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(10,576)</b>	<b>(11,466)</b>



# NOTES TO THE ACCOUNTS

## Income, Expense, Gains and Losses

	2010/11					2009/10				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	-	-	-	-	-	(8)	-	-	-	(8)
Losses on derecognition	-	-	-	-	-	-	-	-	(9)	(9)
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	(7)	(7)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	-	-	-	-	-	<b>(8)</b>	-	-	<b>(16)</b>	<b>(24)</b>
Interest income	-	520	-	-	520	-	1,314	-	(11)	1,303
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	18	-	18
Fee income	-	-	-	-	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	<b>520</b>	-	-	<b>520</b>	-	<b>1,314</b>	<b>18</b>	<b>(11)</b>	<b>1,321</b>
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
<b>Surplus / Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	-	-	-	-	-	-	-	-	-	-
<b>Net gain / (loss) for the year</b>	-	<b>520</b>	-	-	<b>520</b>	<b>(8)</b>	<b>1,314</b>	<b>18</b>	<b>(27)</b>	<b>1,297</b>

### Fair Values of Assets and Liabilities

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

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

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

## NOTES TO THE ACCOUNTS

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.

### 19. Assets Held for Sale

	Current		Non-Current	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	-	-	-	-
Assets newly classified as held for sale:				
- Property, Plant and Equipment	-	-	930	-
- Intangible Assets	-	-	-	-
- Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	-	(47)	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
- Property, Plant and Equipment	-	-	-	-
- Intangible Assets	-	-	-	-
- Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	-	-	-	-
Transfers from non-current to current	-	-	-	-
Other movements	-	-	-	-
<b>Balance outstanding at year-end</b>	-	-	884	-

### 20. Inventories

	Consumable Stores	
	2010/11	2009/10
	£000	£000
<b>Balance outstanding at start of year</b>	16	11
Purchases	121	84
Recognised as an expense in the year	(81)	(79)
<b>Balance outstanding at year-end</b>	56	16

# NOTES TO THE ACCOUNTS

## 21. Debtors

	31 March 2011 £000	31 March 2010 £000
<b>Debtors:</b>		
Central Government Bodies	1,403	3,358
Other Local Authorities	1,354	1,229
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	3,755	5,109
	<hr/>	<hr/>
<b>TOTAL DEBTORS</b>	<b>6,512</b>	<b>9,696</b>
<b>Bad Debt Provisions:</b>		
Council Tax Payers	(46)	(43)
Housing Tenants	(921)	(938)
Housing Benefits - Rent Allowances	(260)	(235)
Other Debtors	(144)	(156)
	<hr/>	<hr/>
<b>TOTAL BAD DEBT PROVISIONS</b>	<b>(1,371)</b>	<b>(1,372)</b>
	<hr/>	<hr/>
<b>NET SHORT TERM DEBTORS</b>	<b>5,141</b>	<b>8,324</b>

## 22. Cash and Cash Equivalents

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

	31 March 2011 £000	31 March 2010 £000
Cash held by the Council	3	4
Bank current accounts	227	3,853
Short term deposits with Money Market Funds	3,749	1,774
	<hr/>	<hr/>
<b>Total Cash and Cash Equivalents</b>	<b>3,979</b>	<b>5,631</b>

## 23. Creditors

	31 March 2011 £000	31 March 2010 £000
Central Government Bodies	464	956
Other Local Authorities	638	720
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	5,702	6,346
	<hr/>	<hr/>
<b>TOTAL CREDITORS</b>	<b>6,804</b>	<b>8,022</b>

# NOTES TO THE ACCOUNTS

## 24. Provisions

	General Fund £000	HRA £000	Total £000
<b><u>Insurance Provisions &gt; 1 year:</u></b>			
<b>Balance at 1 April 2010</b>	<b>204</b>	<b>70</b>	<b>274</b>
Additional provisions made in 2010/11	95	-	<b>95</b>
Amounts used in 2010/11	-	-	-
Unused amounts reversed in 2010/11	-	(4)	<b>(4)</b>
Amounts payable < 1 year transferred to short term creditors	(115)	(37)	<b>(152)</b>
<b>Balance at 31 March 2011</b>	<b>184</b>	<b>29</b>	<b>213</b>
<b><u>Insurance Provisions &lt; 1 year:</u></b>			
<b>Balance at 1 April 2010</b>	<b>94</b>	<b>14</b>	<b>108</b>
Additional provisions made in 2010/11	-	-	-
Amounts used in 2010/11	(116)	(26)	<b>(142)</b>
Unused amounts reversed in 2010/11	-	-	-
Amounts payable < 1 year transferred from L/T Insurance Provision	115	37	<b>152</b>
<b>Balance at 31 March 2011</b>	<b>93</b>	<b>25</b>	<b>118</b>

Provisions have been made for insurance cover in respect of outstanding claims from the public. The extent of the provisions relates to the excesses on existing claims as at 31 March 2011 where such excesses have been negotiated when agreeing premiums. Total provision for these insurance commitments is £331,061. Separate provisions are maintained for the General Fund and the Housing Revenue Account and these are further split between liabilities of less than 1 year (GF £92,500, HRA £25,000) and greater than 1 year (GF £184,313, HRA £29,248).

The future payments from the provisions are:

Due within 1 year	£118,000
Due between 1 and 5 years	£212,000
Due between 5 and 10 years	£1,000

## 25. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 9.

	31 March 2011 £000	31 March 2010 £000
General Fund Revenue Balance	1,646	3,948
Housing Revenue Account Balance	9,388	8,361
Major Repairs Reserve	2,413	3,218
Usable Capital Receipts Reserve	2,293	2,310
External Capital Grants / Contributions Unapplied	766	692
Earmarked Reserves	14,738	11,134
<b>TOTAL USABLE RESERVES</b>	<b>31,244</b>	<b>29,663</b>

# NOTES TO THE ACCOUNTS

## 26. Unusable Reserves

	31 March 2010 £000	31 March 2009 £000
Revaluation Reserve	9,159	19,056
Available-for-sale Financial Instruments Reserve	-	-
Capital Adjustment Account	286,195	382,545
Financial Instruments Adjustment Account	(619)	(965)
Pensions Reserve	(21,318)	(34,558)
Collection Fund Adjustment Account	2	12
Accumulated Absences Account	(315)	(266)
<b>TOTAL UNUSABLE RESERVES</b>	<b>273,104</b>	<b>365,824</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. Plant, Equipment and Intangible Assets are currently valued on a Historic Cost basis therefore the Revaluation Reserve does not contain any balances for these non current assets. The balance is reduced when assets with accumulated gains are:

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

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

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>19,056</b>	8,687
Upward revaluation of assets	1,039	13,618
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(10,747)	(2,937)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(9,708)	
Previous Revaluation Gains transferred from Capital Adjustments Account re Investment Properties re-classified to Operational Assets	110	
Difference between fair value depreciation and historical cost depreciation	(299)	(312)
Accumulated gains on assets sold or scrapped	-	-
Amount written off to the Capital Adjustment Account	(299)	
<b>Balance at 31 March</b>	<b>9,159</b>	<b>19,056</b>

## NOTES TO THE ACCOUNTS

### Available for Sale Financial Instruments Reserve

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

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

At the end of 2010/11, the Council had no investments which fell within the definition of Available for Sale Financial Instruments.

	2010/11		2009/10
	£000	£000	£000
<b>Balance at 1 April</b>		-	18
Upward revaluation of investments	-		
Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	-		
	<hr/>	-	
Accumulated gains on assets sold and maturing assets within the Invesco portfolio written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income			(18)
		<hr/>	<hr/>
<b>Balance at 31 March</b>		-	-

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. Each year the Comprehensive Income & Expenditure Account is debited with the costs of depreciation, impairment losses and amortisations in respect of the Council's non-current assets and these are then reversed out to the Capital Adjustments Account in accordance with Statutory requirements. The Account is also credited with the amounts used by the Council to finance its capital programme each year.

The Account contains accumulated gains and losses on Investment Properties and Assets Held for Sale and should the Council acquire any donated assets in the future, gains recognised on these assets that have yet to be consumed by the Council.

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

# NOTES TO THE ACCOUNTS

	2010/11		2009/10
	£000	£000	£000
<b>Balance at 1 April ( credit )</b>		<b>382,545</b>	367,863
<b>Note: figures in brackets are debits</b>			
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
- Charges for depreciation and impairment of non-current assets	(104,413)		(6,644)
- Revaluation losses on Assets Held For Sale & reversal of previous revaluation impairments	498		13,456
- Amortisation of intangible assets	(75)		(357)
- Revenue expenditure funded from capital under statute	(1,080)		(1,277)
- Transfer to revenue of capital grant consumed in previous years on 2010/11 aborted scheme	(342)		
- 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	(185)		(113)
	<u>          </u>	(105,597)	
Previous Revaluation Gains transferred to Revaluation Reserve re Investment Properties re-classified to Operational Assets		(110)	
Difference between fair value depreciation and historical cost depreciation		299	312
Net written out amount of the cost of non-current assets consumed in the year		<u>(105,408)</u>	<u>5,377</u>
Capital Financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	309		1,502
- Use of the Major Repairs Reserve to finance new capital expenditure	4,504		4,332
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	592		1,270
- Application of grants to capital financing from the Capital Grants Unapplied Account	211		174
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-		31
- Capital expenditure charged against the General Fund and HRA balances	2,386		2,343
	<u>          </u>	8,002	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,056	(347)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-	-
<b>Balance at 31 March</b>		<u><b>286,195</b></u>	<u><b>382,545</b></u>

# NOTES TO THE ACCOUNTS

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid in the past on the early redemption of loans. The balance on this account is amortised to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 47 years.

	2010/11		2009/10
	£000	£000	£000
<b>Balance at 1 April</b>		<b>(965)</b>	<b>(1,311)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-		
Proportion of premiums incurred in previous financial years to be charged against the General Fund & HRA Balances in accordance with statutory requirements	346		346
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		346	
<b>Balance at 31 March</b>		<b>(619)</b>	<b>(965)</b>

## Pensions Reserve

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



## NOTES TO THE ACCOUNTS

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>(34,558)</b>	(23,927)
Actuarial gains or losses on pensions assets and liabilities	8,844	(9,026)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,536	(3,608)
Employer's pensions contributions and direct payments to pensions payable in the year	1,860	2,003
<b>Balance at 31 March</b>	<b>(21,318)</b>	(34,558)

### Collection Fund Adjustment Account

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

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>12</b>	13
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(10)	(1)
<b>Balance at 31 March</b>	<b>2</b>	12

### Accumulated Absences Account

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

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>(266)</b>	(150)
Settlement or cancellation of accrual made at the end of the preceding year	266	150
Amounts accrued at the end of the current year	(315)	(266)
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	(49)	
<b>Balance at 31 March</b>	<b>(315)</b>	(266)

# NOTES TO THE ACCOUNTS

## 27. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £000	2009/10 £000
Interest received	(431)	(1,881)
Interest paid	-	8
Dividends received	-	-

## 28. Cash Flow Statement – Investing Activities

	2010/11 £000	2009/10 £000
Purchase of property, plant and equipment, investment property and intangible assets	8,084	7,573
Purchase of short-term and long-term investments	5,000	3,500
Other payments for investing activities	-	-
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(904)	(340)
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	(1,313)	(3,164)
<b>Net cash flows from investing activities</b>	<b>10,867</b>	<b>7,569</b>

## 29. Cash Flow Statement – Financing Activities

	2010/11 £000	2009/10 £000
Cash receipts of short- and long-term borrowing	-	-
Other receipts from financing activities	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	31
Repayments of short- and long-term borrowing	-	-
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>31</b>

## 30. 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 *Best Value Accounting 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 2010/11	COMMUNITY		CUSTOMER & INFORMATION			HOUSING & PROPERTY			STRATEGIC		HOUSING	TOTAL
	PROTECTION	CULTURE	SERVICES	DEVELOPMENT	ENVIRONMENT	FINANCE	G. FUND	NEIGHBOURHOOD	LEADERSHIP	ACCOUNT		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Government Grants	(108)	-	(38,929)	(558)	-	(603)	(671)	-	(240)	(10)	(41,119)	
Other Grants and Contributions	(2)	(285)	(25)	(16)	(8)	(310)	(300)	(16)	-	(311)	(1,273)	
Contributions from other Authorities	-	-	(709)	(4)	-	-	-	(1,057)	-	-	(1,770)	
Agency Reimbursements	(220)	-	-	-	-	-	-	(152)	-	-	(372)	
Fees and Charges	(310)	(2,700)	(326)	(1,226)	(1,298)	-	(14)	(5,290)	-	(665)	(11,829)	
VAT Refunds	-	(67)	-	-	-	(33)	-	-	-	-	(100)	
Rents	(85)	(173)	(1)	(705)	(30)	-	(76)	(17)	-	(21,236)	(22,323)	
Other Income	(17)	(242)	(8)	(93)	(13)	(7)	(4)	(52)	(140)	(91)	(667)	
Recharges	(3,696)	(1,086)	(3,567)	(1,394)	(466)	(1,963)	(1,286)	(1,960)	(2,535)	(9,169)	(27,122)	
<b>Total Income</b>	<b>(4,438)</b>	<b>(4,553)</b>	<b>(43,565)</b>	<b>(3,996)</b>	<b>(1,815)</b>	<b>(2,916)</b>	<b>(2,351)</b>	<b>(8,544)</b>	<b>(2,915)</b>	<b>(31,482)</b>	<b>(106,575)</b>	
Employees	819	2,763	3,219	2,097	1,120	(4,667)	1,149	1,473	1,701	2,105	11,779	
Premises	708	1,824	32	235	239	-	263	509	18	6,665	10,493	
Transport	17	21	23	57	46	4	42	41	14	96	361	
Supplies and Services	348	1,465	1,361	452	224	423	378	628	1,046	900	7,225	
Third Party Payments	81	180	403	415	218	2,856	29	7,673	145	376	12,376	
Transfer Payments	-	-	37,708	-	-	-	-	-	-	7,282	44,990	
Support Services	1,017	1,722	2,096	2,614	861	1,697	740	2,800	1,585	8,469	23,601	
Capital Financing Charges	2,082	1,663	404	160	119	271	728	1,470	3	98,124	105,024	
<b>Total Expenditure</b>	<b>5,072</b>	<b>9,638</b>	<b>45,246</b>	<b>6,030</b>	<b>2,827</b>	<b>584</b>	<b>3,329</b>	<b>14,594</b>	<b>4,512</b>	<b>124,017</b>	<b>215,849</b>	
<b>Surplus or deficit on the provision of services</b>	<b>634</b>	<b>5,085</b>	<b>1,681</b>	<b>2,034</b>	<b>1,012</b>	<b>(2,332)</b>	<b>978</b>	<b>6,050</b>	<b>1,597</b>	<b>92,535</b>	<b>109,274</b>	

## NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2009/10	COMMUNITY		CUSTOMER & INFORMATION			HOUSING & PROPERTY			STRATEGIC	HOUSING	TOTAL
	PROTECTION	CULTURE	SERVICES	DEVELOPMENT	ENVIRONMENT	FINANCE	G. FUND	NEIGHBOURHOOD	LEADERSHIP	REVENUE	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	ACCOUNT	
Government Grants	(92)	-	(37,161)	(193)	(4)	(406)	(32)	-	(5)	-	(37,893)
Contributions to Capital Projects	-	-	-	(255)	-	(73)	(349)	-	-	-	(677)
Other Grants and Contributions	-	4	(2)	(225)	-	(10)	(32)	-	-	(465)	(730)
Contributions from other Authorities	(3)	-	(767)	(22)	-	-	(218)	(1,072)	-	-	(2,082)
Agency Reimbursements	(230)	-	-	-	-	-	-	(146)	-	-	(376)
Fees and Charges	(305)	(2,866)	(274)	(1,010)	(1,165)	-	-	(5,116)	(290)	(584)	(11,610)
VAT Refunds	-	(585)	-	-	-	(168)	-	(89)	-	-	(842)
Rents	(89)	(216)	-	(704)	(25)	-	(45)	(11)	-	(20,714)	(21,804)
Other Income	(23)	(432)	(10)	(126)	(3)	(167)	(53)	(68)	(260)	(454)	(1,596)
Recharges	(1,646)	(1,024)	(3,275)	(1,280)	(416)	(1,976)	(1,044)	(1,909)	(3,243)	(2,429)	(18,242)
<b>Total Income</b>	<b>(2,388)</b>	<b>(5,119)</b>	<b>(41,489)</b>	<b>(3,815)</b>	<b>(1,613)</b>	<b>(2,800)</b>	<b>(1,773)</b>	<b>(8,411)</b>	<b>(3,798)</b>	<b>(24,646)</b>	<b>(95,852)</b>
Employees	757	2,669	3,069	1,955	1,056	1,723	1,106	1,429	2,220	2,082	18,066
Premises	761	1,979	5	290	223	-	86	634	21	4,543	8,542
Transport	17	19	17	58	53	8	36	42	19	87	356
Supplies and Services	356	1,429	1,577	673	215	526	423	616	1,103	906	7,824
Third Party Payments	130	327	410	482	225	2,135	15	7,369	144	118	11,355
Transfer Payments	-	-	35,736	-	-	-	-	-	-	7,205	42,941
Support Services	812	1,646	1,793	2,264	709	1,253	729	2,653	1,391	3,251	16,501
Capital Financing Charges	271	1,872	431	2,233	259	447	867	79	105	(11,774)	(5,210)
<b>Total Expenditure</b>	<b>3,104</b>	<b>9,941</b>	<b>43,038</b>	<b>7,955</b>	<b>2,740</b>	<b>6,092</b>	<b>3,262</b>	<b>12,822</b>	<b>5,003</b>	<b>6,418</b>	<b>100,375</b>
<b>Surplus or deficit on the provision of services</b>	<b>716</b>	<b>4,822</b>	<b>1,549</b>	<b>4,140</b>	<b>1,127</b>	<b>3,292</b>	<b>1,489</b>	<b>4,411</b>	<b>1,205</b>	<b>(18,228)</b>	<b>4,523</b>

## NOTES TO THE ACCOUNTS

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

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

	2010/11 £000	2009/10 £000
Net Expenditure in the HRA Analysis	92,535	(18,228)
HRA share of Corporate and Democratic Core costs included in the Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement	(96)	(95)
<b>Cost of HRA Services in Comprehensive Income and Expenditure Statement</b>	<b>92,439</b>	<b>(18,323)</b>

### Reconciliation to Subjective Analysis

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

2010/11	PORTFOLIO ANALYSIS £000	SUPPORT SERVICES £000	ALLOCATION OF RECHARGES £000	INVESTMENT PROPERTIES £000	TOTAL £000
Government Grants	(41,119)	14	-	-	(41,105)
Other Grants and Contributions	(1,273)	10	-	-	(1,263)
Contributions from other Authorities	(1,770)	469	-	-	(1,301)
Agency Reimbursements	(372)	-	-	-	(372)
Fees and Charges	(11,829)	1	-	-	(11,828)
VAT Refunds	(100)	33	-	-	(67)
Rents	(22,323)	86	-	594	(21,643)
Other Income	(667)	155	-	12	(500)
Recharges	(27,122)	14,232	15,717	-	2,827
<b>Total Income</b>	<b>(106,575)</b>	<b>15,000</b>	<b>15,717</b>	<b>606</b>	<b>(75,252)</b>
Employees	11,779	(6,421)	-	-	5,358
Premises	10,493	(826)	-	(146)	9,521
Transport	361	(84)	-	-	277
Supplies and Services	7,225	(1,780)	-	(19)	5,426
Third Party Payments	12,376	(277)	-	(82)	12,017
Transfer Payments	44,990	-	-	-	44,990
Support Services	23,601	(3,308)	(15,717)	(153)	4,423
Capital Financing Charges	105,024	(2,304)	-	(5)	102,715
<b>Total Expenditure</b>	<b>215,849</b>	<b>(15,000)</b>	<b>(15,717)</b>	<b>(405)</b>	<b>184,727</b>
<b>Surplus or deficit on the provision of services</b>	<b>109,274</b>	<b>-</b>	<b>-</b>	<b>201</b>	<b>109,475</b>

## NOTES TO THE ACCOUNTS

2009/10 Comparative Figures	PORTFOLIO	SUPPORT	ALLOCATION	INVESTMENT	TOTAL
	ANALYSIS	SERVICES	OF RECHARGES	PROPERTIES	
	£000	£000	£000	£000	£000
Government Grants	(37,893)	-	-	-	(37,893)
Contributions to Capital Projects	(677)	-	-	-	(677)
Other Grants and Contributions	(730)	10	-	-	(720)
Contributions from other Authorities	(2,082)	558	-	-	(1,524)
Agency Reimbursements	(376)	-	-	-	(376)
Fees and Charges	(11,610)	87	-	-	(11,523)
VAT Refunds	(842)	169	-	-	(673)
Rents	(21,804)	89	-	604	(21,111)
Other Income	(1,596)	176	-	12	(1,408)
Recharges	(18,242)	11,927	9,064	-	2,749
<b>Total Income</b>	<b>(95,852)</b>	<b>13,016</b>	<b>9,064</b>	<b>616</b>	<b>(73,156)</b>
Employees	18,066	(6,700)	-	-	11,366
Premises	8,542	(585)	-	(218)	7,739
Transport	356	(76)	-	-	280
Supplies and Services	7,824	(1,950)	-	(24)	5,850
Third Party Payments	11,355	(529)	-	(15)	10,811
Transfer Payments	42,941	-	-	-	42,941
Support Services	16,501	(2,455)	(9,064)	(244)	4,738
Capital Financing Charges	(5,210)	(721)	-	(10)	(5,941)
<b>Total Expenditure</b>	<b>100,375</b>	<b>(13,016)</b>	<b>(9,064)</b>	<b>(511)</b>	<b>77,784</b>
<b>Surplus or deficit on the provision of services</b>	<b>4,523</b>	<b>-</b>	<b>-</b>	<b>105</b>	<b>4,628</b>

### 31. Agency Income and Expenditure

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

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

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

	2010/11	2009/10
	£000	£000
Direct Costs	145	128
Proportion of Shared Costs	760	789
Administrative Costs	151	155
Income	(2,008)	(1,933)
<b>Net Surplus paid to Warwickshire County Council</b>	<b>(952)</b>	<b>(861)</b>

# NOTES TO THE ACCOUNTS

## 32. Members' Allowances

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

The total value of allowances paid to the Council's members during 2010/11 was:

	2010/11 £000	2009/10 £000
<b>Allowances:</b>		
Basic	212	208
Special Responsibility	58	60
Chair and Vice Chair Allowances	17	9
Co-Optees	3	5
Other Allowances (Travel, Subsistence, etc.)	12	14
<b>Total Allowances</b>	<b>302</b>	<b>296</b>

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.

## 33. Senior Officer 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	<b>2010/11</b>	<b>111,469</b>	<b>15,516</b>	<b>126,985</b>
	2009/10	114,935	14,887	129,822
Deputy Chief Executive	<b>2010/11</b>	<b>82,785</b>	<b>12,247</b>	<b>95,032</b>
	2009/10	83,629	11,875	95,504
Deputy Chief Executive	<b>2010/11</b>	<b>81,250</b>	<b>12,025</b>	<b>93,275</b>
	2009/10	78,000	11,076	89,076
S151 Officer	<b>2010/11</b>	<b>71,790</b>	<b>10,619</b>	<b>82,409</b>
S151 Officer	2009/10	70,406	9,993	80,399
<b>TOTALS</b>	<b>2010/11</b>	<b>347,294</b>	<b>50,407</b>	<b>397,701</b>
<b>TOTALS</b>	2009/10	346,970	47,831	394,801

## 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 2010/11	Left in Year	Total 2009/10	Left in Year
£50,000 - £54,999	3	-	1	-
£55,000 - £59,999	4	-	3	-
£60,000 - £64,999	3	-	2	1
£65,000 - £69,999	-	-	-	-
£70,000 - £74,999	-	-	1	1
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	-	-	2	2

### 34. External Audit Costs

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

	2010/11 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	106	117
Fees payable to the Audit Commission in respect of statutory inspection	8	8
Fees payable to the Audit Commission for the certification of grant claims and returns	48	39
Fees payable in respect of other services provided by the appointed auditor	1	3
<b>TOTAL PAID</b>	<b>163</b>	<b>167</b>

The fees for other services payable in both 2010/11 and 2009/10 were in respect of the National Fraud Initiative.



# NOTES TO THE ACCOUNTS

## 35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Revenue Support Grant	(1,327)	(1,951)
Redistributed Non-Domestic Rates	(9,136)	(8,455)
Local Authority Business Growth Incentive	-	(72)
Area Based Grant	(41)	(23)
Capital Grants and Contributions:		
- DCLG Disabled Facilities Grant	-	(240)
- Warwickshire County Council Playbuilder Grant	(284)	(56)
- WCC re refuse recycling in flats & schools	(99)	-
- S106 Contribs towards social housing & play equipment	(79)	(128)
- WCC, WPA & PCT Contributions towards Kenilworth Public Service Centre	(53)	-
- LTA re Victoria Park Tennis Courts Floodlighting	(43)	-
- Developers contrib towards 18B Southbank Rd purchase	(30)	-
- Other contributions towards Brunswick Hub, Biomass Boiler, thermal improvements etc.	(29)	(112)
- Advantage West Midlands Grant - various projects	(5)	(662)
- Big Lottery grant towards play equipment	(1)	(72)
<b>TOTAL</b>	<b>(11,127)</b>	<b>(11,771)</b>
<b>Credited to Services</b>		
DWP grants for Benefits	(37,771)	(36,018)
Housing Benefit Administration Grant	(935)	(902)
Assisted Travel	(417)	(406)
Planning Delivery Grant	-	(354)
DCLG Disabled Facilities Grant	(299)	-
Contribution towards NNDR Collection	(214)	(217)
Safer and Stronger Communities/Anti-Social Behaviour	(85)	(79)
Implementation of Homelessness Act	(51)	(61)
Local Land Charges	(34)	-
Mortgage Rescue	-	(54)
Empty Properties Grants	-	(53)
NNDR Deferral Scheme Grant	-	(16)
Council Tax Leaflet	(10)	(10)
Nutrition Grant	-	(3)
	<b>(39,816)</b>	<b>(38,173)</b>

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:

## NOTES TO THE ACCOUNTS

	2010/11 £000	2009/10 £000
<b>Capital Grants / Contributions Receipts in Advance</b>		
Advantage West Midlands grant - various projects	(3)	(23)
Big Lottery grant towards play equipment/schemes	0	(28)
Warwickshire County Council Playbuilder grant	(2)	(48)
LTA towards Victoria Park tennis courts floodlighting	(2)	(41)
S106 Contributions towards social housing, car parking & play equipment	(1,591)	(1,741)
Other contributions	-	(1)
<b>TOTAL</b>	<b>(1,598)</b>	<b>(1,882)</b>

### 36. Related Party Transactions

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

#### Central Government:

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 35. Grant receipts outstanding at 31 March 2011 are shown in Note 35.

#### Warwickshire County Council and Warwickshire Police Authority:

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in Note 41.

#### Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2010/11 the precepts issued totalled £1,073,519 (£1,037,510 2009/10). The major preceptors were:

	2010/11 £000	2009/10 £000
Royal Leamington Spa	291	284
Warwick Town Council	288	285
Kenilworth Town Coun	136	130
Whitnash Town Council	91	88

#### 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.

Council Members have direct control over the Council's financial and operating policies. Grants totalling £285,970 (£334,034 2009/10) were paid to voluntary organisations in

## NOTES TO THE ACCOUNTS

which thirteen members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The major grants awarded were:

	2010/11 £000	2009/10 £000
Citizens' Advice Bureau	100	100
Brunswick Healthy Living Centre	64	102
Action 21	29	21
Hill Close Gardens Trust	25	25
Warwickshire Race Equality Partnership	24	24
Warwick District Mobility Ltd	15	15
Act on Energy	11	11

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

### 37. Capital Expenditure and Capital Financing

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

	2010/11 £000	2009/10 £000
<b>Opening Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment including Finance Leases	6,875	8,030
Investment Properties	-	-
Intangible Assets	34	342
Revenue Expenditure Funded from Capital Under Statute	1,080	1,280
Long Term Debtors	13	-
<b>Sources of Finance:</b>		
Capital Receipts	(308)	(1,502)
Government grants and other contributions	(804)	(1,444)
Major Repairs Account	(4,504)	(4,332)
Sums set aside from revenue	(2,386)	(2,343)
Minimum Revenue Provision in respect of Finance Leases	-	(31)
<b>Closing Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>

### 38. Leases

#### Authority as Lessee

Finance Leases

At 31 March 2011 the Council had no assets acquired under a finance lease.

## NOTES TO THE ACCOUNTS

### Operating Leases

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

	31 March 2011 £000	31 March 2010 £000
Not later than one year	-	-
Later than one year and not later than five years	5,638	2,200
Later than five years	-	-
	<b>5,638</b>	<b>2,200</b>

The Council previously rented photocopiers under a finance lease, which expired at the end of 2009/10. These photocopiers have been retained on a short term rental basis during 2010/11 pending a review of the Council's printing / photocopying needs but are not secondary leases. The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/11 £000	2009/10 £000
Minimum lease payments	33,917	662

### Authority as Lessor

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

### Operating Leases

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

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

	31 March 2011 £000	31 March 2010 £000
Not later than one year	324	325
Later than one year and not later than five years	1,296	1,298
Later than five years	not known	not known
	<b>1,620</b>	<b>1,623</b>

The General Fund has a number of investment properties that it leases out which generates £606,000 rental income. Transactions relating to these properties are disclosed in Note 16 Investment Properties.

# NOTES TO THE ACCOUNTS

## **39. Impairment Losses**

During 2010/11, the Council has recognised impairment losses charged to the General Fund of £81,000 arising as follows:

- £60,000 in respect of land in Myton Fields Warwick which had been included twice within the Council's non-current assets;
- £21,000 in respect of land at Reardon Court Warwick and Cumberland Crescent Leamington Spa which had been incorrectly registered by the Land Registry as belonging to this Council but in fact turned out to be owned by others.

In addition, there were revaluation impairments amounting to £3,746,031 charged to the General Fund as a result of the impairment review carried out by the District Valuer at 31 March 2011, analysed as follows:

£1,352,118 Car Parks  
£215,349 Town Hall  
£1,600,694 Riverside House  
£3,000 Mill Gardens Boating Centre land  
£574,870 Newbold Comyn Golf Course

This has been offset by £544,443 resulting from the reversal of revaluation impairments previously charged to the General Fund in respect of Guy/Chandos Street Car Park.

Within the Housing Revenue Account, the Council has recognised impairments amounting to £94,659,000 relating to its housing stock. This has arisen as a result of the decrease from 49% to 34% in the regional factor by which the open market value of the housing stock is discounted back to an existing use value i.e. as social housing.

As a result of the impairment review carried out by the District Valuer at 31 March 2011 a further revaluation impairment of £1,355,303 has been charged to the General Fund Revaluation Reserve against revaluation surpluses previously credited to the Revaluation Reserve in respect of these assets.

Likewise £10,176,401 impairments arising from the change in the regional discount factor for social housing has been charged to the Housing Revenue Account Revaluation Reserve against revaluation surpluses for housing stock previously credited to the Revaluation Reserve.

## **40. Termination Benefits**

As part of its restructuring to be "Fit For The Future" the Council terminated the contracts of a number of employees in 2010/11, incurring redundancy costs of £20,800 (£216,000 in 2009/10).

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

### **Participation in Pension Schemes**

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

The Council participates in the Local Government Pension Scheme administered locally by Warwickshire County Council. This is a funded defined benefit final salary scheme,

## NOTES TO THE ACCOUNTS

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

### Transactions Relating to Post-employment Benefits

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

	2010/11 £000	2009/10 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- current service cost	2,068	1,363
- past service costs	(6,066)	46
- settlements and curtailments	-	144
<i>Financing and Investment Income and Expenditure:</i>		
- interest cost	5,561	5,145
- expected return on scheme assets	(4,099)	(3,090)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>(2,536)</u>	<u>3,608</u>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- actuarial gains and losses	(8,844)	9,026
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<u>(11,380)</u>	<u>12,634</u>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	2,536	(3,608)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employer's contributions payable to scheme	<u>1,860</u>	<u>2,003</u>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £539,000.

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

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

## NOTES TO THE ACCOUNTS

	2010/11 £000	2009/10 £000
<b>Opening Balance at 1 April</b>	<b>(99,907)</b>	(73,101)
Current service cost	<b>(2,068)</b>	(1,363)
Interest cost	<b>(5,561)</b>	(5,145)
Contributions by scheme participants	<b>(732)</b>	(776)
Actuarial gains and (losses)	<b>1,962</b>	(22,743)
Benefits paid	<b>4,006</b>	3,411
Past service costs	<b>6,066</b>	(46)
Curtailments	-	(144)
<b>Closing balance at 31 March</b>	<b>(96,234)</b>	<b>(99,907)</b>

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

	2010/11 £000	2009/10 £000
<b>Opening Balance at 1 April</b>	<b>65,349</b>	49,174
Expected rate of return	<b>4,099</b>	3,090
Actuarial gains and (losses)	<b>6,882</b>	13,717
Employer contributions	<b>1,860</b>	2,003
Contributions by scheme participants	<b>732</b>	776
Benefits paid	<b>(4,006)</b>	(3,411)
<b>Closing balance at 31 March</b>	<b>74,916</b>	65,349

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

The actual return on scheme assets in the year was £4.8m (2009/10: £16.8m).

### Scheme history:

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities	(83,940)	(86,179)	(73,101)	(99,907)	(96,234)
Fair value of assets	66,826	62,138	49,174	65,349	74,916
<b>Surplus / (Deficit)</b>	<b>(17,114)</b>	<b>(24,041)</b>	<b>(23,927)</b>	<b>(34,558)</b>	<b>(21,318)</b>

The liabilities show underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £21.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced overall balance of £304.4m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

## NOTES TO THE ACCOUNTS

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £1.8m.

### Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Bonds	4.4%	4.5%
Other	7.5%	7.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.0 years	21.2 years
Women	23.7 years	24.1 years
Longevity at 65 for future pensioners:		
Men	22.9 years	22.2 years
Women	26.0 years	25.0 years
Rate of inflation	3.4%	3.3%
Rate of increase in salaries	4.9%	5.1%
Rate of increase in pensions	2.9%	3.3%
Rate of discounting scheme liabilities	5.5%	5.6%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

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

	31 March 2011	31 March 2010
	%	%
Equities	66	67
Government Bonds	5	9
Other Bonds	13	13
Property	10	4
Cash / Liquidity	1	2
Other	5	5
<b>Total</b>	<b>100</b>	<b>100</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:



## NOTES TO THE ACCOUNTS

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.8%	9.3%	32.7%	21.0%	9.2%
Experience gains and losses on liabilities	0.0%	3.7%	0.0%	0.0%	1.9%

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 2010 and has estimated the return on assets for January to March 2011.

### **42. Contingent Liabilities**

There are no contingent liabilities.

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

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

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

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

#### **Credit Risk**

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

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

## NOTES TO THE ACCOUNTS

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

<b>Financial Asset Category ( Fitch ratings )</b>	<b>Minimum Criteria</b>	<b>Maximum Investment</b>	<b>Maximum Duration</b>	<b>Proportion of Portfolio at 31st March £'000</b>
Deposits With Banks	Sovereign AAA Long Term A+ Short Term F1 Individual B/C Support 1 or 2	£5m	Up to 2 years	23,000
Deposits With Building Societies				
Category A	Sovereign AAA Long Term A+ Short Term F1	£4m	Up to 2 years	3,000
Category B	Sovereign AAA Short Term F1	£2m	364 days	2,000
Category C	Non rated but in the Top 20 ranked by asset value	£1m	3 months	1,000
Deposits with Money Market Funds	AAA and volatility rating of VR1+	£5m	Not defined - depends on cash flow	3,686
Nationalised Industries	UK Government guarantee	£5m	364 days	0
UK Government	UK Government guarantee	£5m	Not defined	0
Local and Police Authorities	Secured by statute on revenues of Authority	£5m	364 days	0
				<b>32,686</b>

The investments in force at 31<sup>st</sup> March totalling £32.7m 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 under Basel 3 the banks have to maintain much higher liquidity levels and if default should happen then the defaulter would likely be absorbed into another institution or rescued by the UK Government.

Where appropriate the Council makes use of a credit checking agency so that customers for goods and services e.g. major contracts are assessed and suitable credit limits set. At 31<sup>st</sup> March, sundry debts outstanding stood at £1.699m of which £0.844m related to general debts and £0.855m to Housing Benefit overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.05m (5.9%) and £0.26m (30.4%) have been established in respect of the general debts and Housing Benefit Overpayments respectively. An analysis by age of the £1.699m less £0.31m bad debts provision follows:

## NOTES TO THE ACCOUNTS

	31 March 2011 £000	31 March 2010 £000
Less than three months	0.692	0.598
Four to six months	0.164	0.044
Seven to nine months	0.050	0.048
Ten to twelve months	0.026	0.018
More than one year	0.457	0.200
<b>Total</b>	<b>1.389</b>	<b>0.908</b>

At 31<sup>st</sup> March, outstanding arrears in respect of council house rents stood at £1.173m, again an assessment of the default rate on these arrears has been made and a bad debts provision of £0.921m (78.5%) 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 (2010/11 £3.1m and 2011/12 £1.85m) 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 (2010/11 £11.1m and 2011/12 £10.35m). The Council did not incur any borrowing either for cash flow or long term purposes in 2010/11 and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments in 2011/12.

The Council has within its balance sheet, £1.598m in respect of external contributions paid to it by developers 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 2011/12. All of the Council's trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

As the Council currently has no external debt, the risk is to its investment income which is affected by movements in Bank Rate and the Money Market Rates. For instance, a rise in interest rates would have the following effects:

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

The treasury management team has an active strategy for assessing interest rate exposure 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 2010/11 out-turn a 0.5% movement upwards in interest rates would have produced an additional £0.206m 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.

## NOTES TO THE ACCOUNTS

### Foreign Exchange Risk

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

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

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 29 June 2011.

# HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

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

2009/10 £'000	Notes	2010/11	
		£'000	£'000
<b>EXPENDITURE</b>			
3,678	Repairs and Maintenance	3,979	
4,838	Supervision and Management	5,289	
37	Rents, Rates, Taxes and Other Charges	37	
7,204	Negative Housing Revenue Account Subsidy Payable	7,282	12
164	Increased Provision for Bad Debts	260	
(11,877)	Depreciation and Impairment of Non-Current Assets	98,060	
	Amortisation of Intangible Assets & Revenue		
104	Expenditure Funded from Capital Under Statute	64	
4,148	<b>TOTAL EXPENDITURE</b>		<b>114,971</b>
<b>INCOME</b>			
(19,931)	Dwelling Rents	(20,462)	
(783)	Non-Dwelling Rents	(770)	
(669)	Charges for Services and Facilities	(774)	
(1,088)	Contributions Towards Expenditure	(526)	
(22,471)	<b>TOTAL INCOME</b>		<b>(22,532)</b>
(18,323)	<b>Net Cost Of HRA Services as included in the whole authority Comprehensive Income and Expenditure</b>		<b>92,439</b>
95	HRA services share of Corporate and Democratic Core		96
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		-
<b>(18,228)</b>	<b>Net Income for HRA Services</b>		<b>92,535</b>
113	Gain or Loss on sale of HRA non-current assets		(710)
-	Interest payable and similar charges		-
313	Pensions Interest Cost and Expected Return on Pension:	13	(6)
(152)	HRA Interest and Investment Income		(159)
(17,954)	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>91,660</b>

## MOVEMENT ON THE HRA BALANCE STATEMENT

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

2009/10 £000	Notes	2010/11 £000      £000	
7,315	<b>Balance on the HRA at the end of the previous year</b>		<b>8,361</b>
17,954	Surplus or (deficit for the year on the HRA Income and Expenditure Statement	<b>(91,660)</b>	
(17,715)	Adjustments between accounting basis and funding basis under statute	<b>14      92,448</b>	
	<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>788</b>	
807	Transfers (to) or from reserves	<b>239</b>	
	<b>Increase or (decrease) in year on the HRA</b>		<b>1,027</b>
<u>8,361</u>	<b>Balance on the HRA at the end of the current year</b>		<u><b>9,388</b></u>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 1. Reconciliation of 2009/10 Income and Expenditure Account and comparative Housing Revenue Account Income and Expenditure Statement

	2009/10 STATEMENTS					2009/10 Statements Income £000	Gains / Losses on Disposal £000	Restated Income £000	Net Original £000	Net Restated £000
	Statements Expenditure £000	Employee Benefits £000	Premia & Discounts £000	Change in Support £000	Restated Expend. £000					
HRA	4,115	32	-	1	4,148	(22,103)	(368)	(22,471)	(17,988)	(18,323)
Corporate and Democratic Core	95	-	-	-	95	-	-	-	95	95
<b>Net Cost of Services</b>	<b>4,210</b>	<b>32</b>	<b>-</b>	<b>1</b>	<b>4,243</b>	<b>(22,103)</b>	<b>(368)</b>	<b>(22,471)</b>	<b>(17,893)</b>	<b>(18,228)</b>
Gains or Losses on Sale of Fixed Assets	(195)	-	-	-	(195)	-	308	308	(195)	113
<b>Other Operating Expenditure</b>	<b>(195)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(195)</b>	<b>-</b>	<b>308</b>	<b>308</b>	<b>(195)</b>	<b>113</b>
Interest and Investment Income	-	-	-	1	1	(153)	-	(153)	(153)	(152)
Pensions Interest & Return	313	-	-	-	313	-	-	-	313	313
<b>Financing &amp; Investment I&amp;E</b>	<b>313</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>314</b>	<b>(153)</b>	<b>-</b>	<b>(153)</b>	<b>160</b>	<b>161</b>
Capital Grants and External Contributions	-	-	-	-	-	-	-	-	-	-
<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Amortised Premiums and Discounts	465	-	(465)	-	-	-	-	-	465	-
<b>(Surplus) or Deficit on Provision of Services</b>	<b>4,793</b>	<b>32</b>	<b>(465)</b>	<b>2</b>	<b>4,362</b>	<b>(22,256)</b>	<b>(60)</b>	<b>(22,316)</b>	<b>(17,463)</b>	<b>(17,954)</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 2. 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 *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across portfolio areas. These reports are prepared on the same basis as the accounting policies used in the financial statements.

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

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Government Grants	(10)	-
Other Grants and Contributions	(311)	(465)
Fees and Charges	(665)	(584)
Rents	(21,236)	(20,714)
Other Income	(91)	(454)
Recharges	(9,169)	(2,429)
<b>Total Income</b>	<b>(31,482)</b>	<b>(24,646)</b>
Employees	2,105	2,082
Premises	6,665	4,543
Transport	96	87
Supplies and Services	900	906
Third Party Payments	376	118
Negative Housing Subsidy	7,282	7,205
Support Services	8,469	3,251
Capital Financing Charges	98,124	(11,774)
<b>Total Operating Expenses</b>	<b>124,017</b>	<b>6,418</b>
<b>Net Cost of HRA Services</b>	<b>92,535</b>	<b>(18,228)</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3. Housing Stock

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

	<b>31 March 2011 Nos.</b>	31 March 2010 Nos.
Houses	<b>2,508</b>	2,513
Flats	<b>2,434</b>	2,438
Bungalows	<b>670</b>	670
	<b>5,612</b>	5,621

The change in housing stock can be summarised as follows:

	<b>2010/11 Nos.</b>	2009/10 Nos.
Stock at 1 April	<b>5,621</b>	5,623
Purchases	-	-
Sales	<b>(8)</b>	(3)
Conversions	<b>(1)</b>	1
Other Disposals	-	-
Change of Use	-	-
	<b>5,612</b>	5,621

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

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

	1 April 2010 £'000	31 March 2011 £'000
Operational Assets:		
- Dwellings	324,477	222,291
- Other Properties	6,317	6,268
- Land	376	379
- Equipment	360	193
Non-Operational Assets	-	-
<b>Total Balance Sheet Items</b>	<b>331,530</b>	<b>229,131</b>

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

	<b>1 April 2010 £'000</b>	1 April 2009 £'000
Vacant Possession Value of Dwellings	<b>662,074</b>	602,048
Balance Sheet Value of Dwellings	<b>324,477</b>	295,865
<b>Economic Cost to Government</b>	<b>337,597</b>	306,183

## NOTES TO THE HOUSING REVENUE ACCOUNT

It should be noted that the above values are based on revaluations at 1st April and, therefore, are not comparable with the values shown in the Balance Sheet on page 12. The figures above exclude leased dwellings.

### 6. Summary of Capital Expenditure Funding Sources

	2010/11 £'000	2009/10 £'000
Government Grant	27	86
Internal Borrowing	-	-
Prudential Borrowing	-	-
Usable Capital Receipts	-	-
Revenue and Other Contributions	1,224	1,854
Major Repairs Reserve	4,504	4,332
<b>TOTAL CAPITAL EXPENDITURE FUNDING</b>	<b>5,755</b>	<b>6,272</b>

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

During 2010/11 the Housing Revenue Account incurred capital expenditure amounting to £23,135 on Intangible Assets, which was in respect of software for the Housing Management System. As this software has no finite life it has been held on the Balance Sheet rather than as is normal practice, amortised to revenue over its economic life and it will be subject to impairment review in future years. In addition capital expenditure amounting to £64,412 was spent on Assisted Elderly Persons Transfer Scheme Payments enabling elderly people to move to more suitable accommodation and freeing up larger housing stock for families. This is classed as Revenue Expenditure Under Statute ( REFCUS ) and in accordance with the Code the entire cost was amortised to revenue in 2010/11.

### 8. Revaluations Impairment

The 1 April 2011 valuation of the housing stock by the District Valuer shows that the value of the Council's housing stock has decreased by £104.8m. The stock is valued on an Existing Use – Social Housing (EUV-SH) basis derived from the open market value discounted down by a regional adjustment factor, defined by DCLG. The reduction in the value of the stock is due entirely to this factor being reduced from 49% down to just 34% in 2010. Only £94.7m of this was rechargeable to the HRA as the Revaluation Reserve already had a positive balance of £10.1m from revaluation adjustments in the previous year.

### 9. Summary of Capital Receipts

	2010/11 £'000	2009/10 £'000
Sale of Council Houses	815	308
Sale of Land	80	-
Repayment of Discount	-	17
Sale of Council Houses Advances Repaid	14	24
Repayment of Grants	17	18
<b>TOTAL CAPITAL RECEIPTS</b>	<b>926</b>	<b>367</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 10. Depreciation of Fixed Assets

	2010/11 £'000	2009/10 £'000
Operational Assets		
- Dwellings, Other Land, Buildings	3,299	4,148
- Equipment	102	84
Non-Operational Assets		-
<b>TOTAL DEPRECIATION</b>	<b>3,401</b>	<b>4,232</b>

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

## 11. Bad or Doubtful Debts

Net arrears on rent accounts and sub-accounts amounted to £1,339,020 at 31 March 2011 (£1,560,859 at 31 March 2010), a reduction of £131,839. They consist of both current and former tenant rent arrears and pre-payments, unpaid court costs and supporting people charges and HB overpayments. During 2010/11, current rent arrears (dwellings and garages), increased from £727,129 to £772,118. As a proportion of net rent collectable (gross rent net of housing benefit payments), it increased from 7.64% to 8.16%. Total rent arrears decreased from £1,210,540 to £1,173,018, a reduction of £37,522, which as a proportion of net rent collectable, represents a fall of 1.61% from 16.40% to 14.79%. The aggregate provision for uncollectable debts has reduced £17,230, from £938,200 to £920,970 as at the 31 March 2011.

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

Subsidy is calculated using a "model" of an authority's Housing Revenue Account. Figures used in the model are based on annual assumptions made by the Government on rents to be charged, expenditure on management and maintenance, "notional" ( not actual ) costs of loan charges and various other items of income and expenditure. Any "surplus" which is produced is debited to the Housing Revenue Account and paid to the Government as a contribution to the National Housing Rent Pool as "sums Directed by the Secretary of State". In 2010/11, the contribution payable was £7.28m (£7.20m in 2009/10). The calculation is as follows:

	2010/11 £'000	2009/10 £'000
<b><u>CREDITS:</u></b>		
Rents	20,587	19,959
Other Income	1	4
<b>TOTAL CREDITS</b>	<b>20,588</b>	<b>19,963</b>
<b><u>DEBITS</u></b>		
Management and Maintenance	8,826	8,396
Major Repairs Allowance	3,699	3,647
Loan Charges	781	716
Other Allowances	-	-
Balance to National Housing Pool	7,282	7,204
<b>TOTAL DEBITS</b>	<b>20,588</b>	<b>19,963</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 13. H.R.A. – Accounting for Pensions under FRS17

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

	2010/11 £000	2009/10 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- current service cost	214	116
- past service costs	-	-
- settlements and curtailments	-	-
<i>Financing and Investment Income and Expenditure:</i>		
- interest cost	41	784
- expected return on scheme assets	(47)	(471)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<b>208</b>	<b>429</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- actuarial gains and losses	-	-
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<b>208</b>	<b>429</b>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(208)	(429)
<b>Actual amount charged against the Housing Revenue Account Balance for pensions in the year:</b>		
- employer's contributions payable to scheme	<b>190</b>	<b>184</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

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

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

	2010/11 £000	2009/10 £000
<b>Adjustments primarily involving the Capital</b>		
<b>Adjustment Account:</b>		
<b>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</b>		
Revaluation losses on Property Plant and Equipment	(94,989)	16,109
Amortisation of intangible assets	-	(24)
Revenue expenditure funded from capital under statute	(64)	(80)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the HRA Income and Expenditure Statement	(199)	(113)
<b>Insertion of items not debited or credited to the HRA Income and Expenditure Statement:</b>		
Capital expenditure charged against General Fund and HRA balances	1,224	1,853
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>		
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the HRA Income and Expenditure Statement	910	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	367
<b>Adjustments primarily involving the Major Repairs Reserve:</b>		
Reversal of Major Repairs Allowance credited to the HRA	299	(585)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>		
Amount by which finance costs charged to the HRA Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	391	465
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement (see HRA Note 13)	(208)	(429)
Employer's pensions contributions and direct payments to pensioners payable in the year	190	184
<b>Adjustments primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	(32)
<b>Total Adjustments</b>	<b>(92,448)</b>	<b>17,715</b>

## HOUSING MAJOR REPAIRS RESERVE

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

Actual 2009/10 £000		Notes	Actual 2010/11 £000
	<b>INCOME</b>		
(3,647)	MRA Subsidy		(3,699)
(623)	Depreciation on Non-Dwelling Assets		(456)
38	Dwellings Depreciation Adjustment		755
<b>(4,232)</b>	<b>TOTAL INCOME</b>		<b>(3,400)</b>
	<b>EXPENDITURE</b>		
4,332	MRA Contribution to Capital Expenditure	1	4,504
623	Non-Dwelling Assets Depreciation Adjustment	2	456
(38)	Dwellings Assets Depreciation Adjustment	3	(755)
<b>4,917</b>	<b>TOTAL EXPENDITURE</b>		<b>4,205</b>
685	<b>Net (Surplus) / Deficit to Balances</b>		<b>805</b>
(3,903)	Balance Brought Forward		(3,218)
<b>(3,218)</b>	<b>Balance carried forward</b>	4	<b>(2,413)</b>

### 1. **MRA Contribution to Capital Expenditure**

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

### 2. **Depreciation on Non-Dwelling Assets**

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

### 3. **Dwellings Depreciation Adjustment**

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

### 4. **Balance on Account**

The balance on the account, at the end of March 2011 is £2.4m which can be used for capital expenditure in future years to help maintain the condition of the stock and increase the life of the property and number of tenancy years occupation. Under the new Housing Capital Finance regime it can also be used to repay the principal of loans incurred as part of the Council's Prudential Borrowing Strategy. It cannot, however, be used to pay for debt servicing costs i.e. repayment of interest due.

## HOUSING REPAIRS ACCOUNT

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

Actual 2009/10 £000		Notes	Actual 2010/11 £000
	<b>INCOME</b>		
4,717	Contribution from Housing Revenue Account		4,942
<u>4,717</u>	<b>TOTAL INCOME</b>		<u>4,942</u>
	<b>EXPENDITURE</b>		
1,458	Major Works Programme		1,641
2,220	Routine Maintenance		2,332
1,854	Revenue Contribution to Capital Outlay	1	1,224
<u>5,532</u>	<b>TOTAL EXPENDITURE</b>		<u>5,197</u>
815	<b>Net (Surplus) / Deficit to Balances</b>		255
(2,804)	Balance Brought Forward		(1,989)
<u>(1,989)</u>	<b>Balance carried forward</b>	2	<u>(1,734)</u>

### 1. Revenue Contribution to Capital Outlay

The Housing Repairs Account normally makes a contribution to support the Housing capital programme and in 2010/11 this was £1.2m (£1.9m in 2009/10).

### 2. Balance on Account

The balance on the account has decreased by £0.3m to £1.7m, mainly due to increased expenditure on the voids repair contract and the gas appliance and electrical contracts within the Routine Maintenance Works Programme. Contributions towards capital works funded by this account have reduced significantly, £0.6m, during this period.

## COLLECTION FUND

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

2009/10 £000		Notes	2010/11 £000      £000	
<b>INCOME</b>				
(68,695)	Income from Council Tax (net of benefits)			(70,744)
	Transfers from General Fund:			
(7,955)	- Council Tax Benefits			(8,182)
(59,904)	Income Collectable from Business Ratepayers			(59,177)
<b>(136,554)</b>	<b>TOTAL INCOME</b>			<b>(138,103)</b>
<b>EXPENDITURE</b>				
	Precepts and Demands:			
58,997	- Warwickshire County Council	4	60,802	
8,954	- Warwickshire Police Authority	4	9,163	
8,530	- Warwick District Council	4	8,803	78,768
	Business Rates:			
59,687	- Payment to National Pool		58,962	
217	- Warwick District Council: Cost of Collection Allowance		214	59,176
	Bad Debts and Appeals re Council Tax			
182	Write-offs		226	
-	Provision for Bad Debts and Appeals re Council Tax		18	244
<b>136,567</b>	<b>TOTAL EXPENDITURE</b>			<b>138,188</b>
<b>13</b>	<b>Net (Surplus) / Deficit for Year</b>			<b>85</b>
<b>BALANCES</b>				
(116)	Balance 1 April			(103)
13	(Surplus) / Deficit for Year			85
<b>(103)</b>	<b>Balance 31 March</b>	<b>5</b>		<b>(18)</b>



# NOTES TO THE COLLECTION FUND

## 1. General

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

## 2. Council Tax

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

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Dwellings
@	9.72	5 / 9	5.40
A	3,494.25	6 / 9	2,329.50
B	8,946.51	7 / 9	6,958.40
C	14,000.51	8 / 9	12,444.90
D	10,736.80	9 / 9	10,736.80
E	6,052.01	11 / 9	7,396.90
F	4,448.15	13 / 9	6,425.10
G	3,511.38	15 / 9	5,852.30
H	351.50	18 / 9	703.00
	<b>51,550.83</b>		<b>52,852.30</b>

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

(220.93)

**COUNCIL TAX BASE 2010/11**

**52,631.37**

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,462.52 the original estimated Council Tax income, including Council Tax Benefit, was £76.5m compared with the actual income credited to the Fund of £76.5m which is made up as follows:

	£'000
Council Tax (net of benefits, transitional relief, bad debts and write-offs)	(70,500)
Council Tax Benefits	(8,182)
<b>INCOME FROM COUNCIL TAX 2010/11</b>	<b>(78,682)</b>

## 3. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate of 48.5p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total rateable value of properties in the Warwick District area was £164,054,852 at 31 March 2011.

# NOTES TO THE COLLECTION FUND

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

The following authorities made significant demand on the Collection Fund during 2010/11:

Warwickshire County Council	£60,802,401.31
Warwickshire Police Authority	£9,162,964.17
Warwick District Council	£8,802,401.00

## NOTES TO THE COLLECTION FUND

### 5. Accounting for the Collection Fund

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

#### COLLECTION FUND 31st March 2010

#### COLLECTION FUND 31st March 2011

Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. Police £'000	Central Govt. £'000		Balance Sheet	Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. Police £'000	Central Govt. £'000
					<b>Arrears</b>						
1,784	199	1,377	208	-	Council Tax	Debtors	1,855	208	1,431	216	-
1,536	-	-	-	1,536	NNDR	Debtors	1,134	-	-	-	1,134
					<b>Impairment Allowance for Doubtful Debts</b>						
(388)	(43)	(300)	(45)	-	Council Tax	Bad Debts	(406)	(46)	(313)	(47)	-
(815)	-	-	-	(815)	NNDR	Debtors	(815)	-	-	-	(815)
					<b>Overpayments and Prepayments</b>						
(655)	(73)	(505)	(77)	-	Council Tax	Creditors	(581)	(65)	(448)	(68)	-
(867)	-	-	-	(867)	NNDR	Debtors	(644)	-	-	-	(644)
					<b>Collection Fund Balance</b>						
(80)	-	(80)	-	-	Warwickshire County Council	Creditors	(14)	-	(14)	-	-
(12)	-	-	(12)	-	Warwickshire Police Authority	Creditors	(2)	-	-	(2)	-
(12)	(12)	-	-	-	Warwick District Council	Coll. Fund	(2)	(2)	-	-	-
					<b>NNDR Pool</b>						
2,037	-	-	-	2,037	Balance	Debtors	908	-	-	-	908
					<b>Balance Sheet:</b>						
2,656	199	492	74	1,891	Debtors		1,546	208	656	99	583
(73)	(73)	-	-	-	Creditors		(65)	(65)	-	-	-
(43)	(43)	-	-	-	Bad Debts		(46)	(46)	-	-	-
(12)	(12)	-	-	-	Collection Fund Adjustment A/c		(2)	(2)	-	-	-

# ANNUAL GOVERNANCE STATEMENT

## 1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, Warwick District Council is 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.

Warwick District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the code is on our website at [www.warwickdc.gov.uk](http://www.warwickdc.gov.uk) or can be obtained from the Deputy Chief Executive (AJ). This statement explains how Warwick District Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) [England] Regulations 2006 in relation to the publication of a statement on internal control.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Warwick District Council for the year ended 31st, March 2011 and up to the date of approval of the annual report and statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

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

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

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

# ANNUAL GOVERNANCE STATEMENT

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

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 district and Warwickshire Partnership Sustainable Community Strategies;
- 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 staff, the unions and various stakeholders and partners.

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

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

Progress towards the Council's objectives is communicated to the local community through its publication, District Focus and via the website. Council efficiency details were included on the annual council tax bill for 2010/11 in accordance with central government requirements. This requirement has now been removed.

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

During 2008 and 2009 the Local Strategic Partnership (LSP) reviewed both its strategic approach to delivering improved outcomes for Warwick district residents and the enabling governance arrangements. The outcome of the review was Warwick district's Sustainable Community Strategy (SCS), endorsed by all LSP partners, along with streamlined governance arrangements overseen by the Warwick Partnership Executive Group (WPEG). The SCS has a vision of improving the quality of life for all the residents of Warwick district by making the district a great place to live, work and visit. Following Warwick District Council's adoption of the SCS a review of its own Corporate Strategy

# ANNUAL GOVERNANCE STATEMENT

commenced. The culmination of the review was the production of FFF as described in 3.1 above.

The review has not impacted the Council's constitutional governance arrangements which can be summarised as follows:

- Council is the ultimate decision making body for those matters which have not been delegated to Executive, specific officers or are required to be taken at Council level by law;
- Executive will make decisions in respect of the majority of Council matters or make recommendations to the Council;
- Overview and Scrutiny Committee will have oversight responsibility for policy development and performance monitoring whilst Finance and Audit Scrutiny Committee will oversee the adequacy of the Council's risk management and control frameworks;
- Standards Committee will provide the final health check on the authority's governance arrangements. The Committee will also undertake regular reviews of the Constitution;
- key partnerships are reviewed on an ongoing basis by the Council's Scrutiny Committees.

The development of FFF has been based on Systems Thinking principles whereby service delivery is considered wholly from a customer perspective. Some progress has been made in engaging the Scrutiny Committees in a new approach to scrutiny, particularly in the area of Partnerships. It is recognised that further work is required to ensure that focus on outcomes, rather than on process and meeting artificial targets, is achieved.

The new Coalition Government has abolished many forms of inspection. The previous Government had introduced an inspection framework in 2009, namely Comprehensive Area Assessment (CAA). As part of the inspection Warwick District Council had an organisational assessment based on its Use of Resources score and a separate score for Managing Performance. Warwick District Council scored a 2 for its Use of Resources and 2 for Managing Performance. Each score was out of 4 and the descriptor associated with a score of 2 is "meets minimum requirements".

The Council had an Action Plan for improving its Use of Resources score and this has helped the Council undertake a Value for Money Assessment. Further improvements will be addressed as part of the Fit For the Future Change Programme.

### **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**

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 and Portfolio Holder Statements.

The Council regularly measures the experience of its services for users through the use of the citizens' panel of approximately 1,000 representative local citizens and in addition through service specific local surveys from time to time e.g. annual Housing Services survey, Customer Service surveys. For the year 2011/12 the Council will be using a new approach which will enable a better understanding of customer priorities

# ANNUAL GOVERNANCE STATEMENT

when the choices are complex and numerous. The approach will involve face-to-face interviews and on-line consultation.

The Council has previously utilised an online performance management system which required identified responsible officers to input data on at least a quarterly basis. This system was abandoned during 2010/11 as a new performance management regime and associated governance framework was developed. The Council is now in a position to roll-out the new approach during 2011/12.

The new performance management framework will focus on outcomes, based on what matters to people in our communities. The CAA process highlighted that whilst there are areas of very strong performance, there are also areas where performance is not progressing or the Council is unable to demonstrate what difference it is making. The new framework and governance arrangements should ensure that the organization focuses on what is important to customers and responds more quickly to under-performance.

Where service falls below customer expectations it often manifests itself in complaints. The Complaints Policy has recently been reviewed and updated. Training sessions have been provided by the Local Government Ombudsman for relevant frontline and investigating officers and Standards Committee reviews complaints trends.

Benchmarking is seen as a key tool for properly understanding service delivery and cost. However, analysis must be done on a like-for-like basis taking account of the desires, needs and priorities of elected members and local communities. It is hoped that the Local Government Group's forthcoming data-hub will be a valuable tool to aid benchmarking.

### **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.**

The Constitution sets out the respective responsibilities of Members and Officers through Codes and Protocols. It sets out the terms of reference for the Council and all of the Council's Committees. The Executive reviews the Constitution on an ongoing basis and ensures the levels of delegation are appropriate. Amendments necessary to the scheme of delegation following a senior management restructure and other minor changes were identified during the year and included in the revision to the Constitution. A further review of the Constitution will need to be presented to Executive during early summer of 2011 following further senior management changes. The Standards Committee regularly reviews the Constitution.

There is a management matrix which 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**

The Constitution contains a Member and Officer Protocol and Codes of Conduct for Members and Officers. All new Members and Officers receive a copy of their respective Code(s). The Officer Code is currently under review and will be presented to the Council's Employment Committee in June for approval. There is a regular review of Member interests (detailed on the Council's website) by the Standards Committee and a six-monthly review by Senior Management Team (SMT) of officer interests and declarations of gifts and hospitality. Staff are reminded annually through their payslip of the need to make declarations for conflicts of interest. There is an Anti-Fraud and

## ANNUAL GOVERNANCE STATEMENT

Corruption Policy which is reviewed each year by the Executive. All new staff receive training on the Policy as part of the induction process and it is brought to the attention of all staff annually through the Council's internal information Portal (known as WaSP).

The Authority agreed new Organisational Values in 2007 and these are now reflected in the Competency Framework which is a fundamental part of the staff appraisal and development process. The Organisational Values have been a key element in the development of FFF.

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

The Code of Financial Practice was updated and agreed by Council in April 2010. This followed a major review in 2008. The Code of Financial Practice will continue to be reviewed at least once every other year, with changes made as appropriate. The Code forms part of the Constitution.

The Code of Procurement Practice (formerly Code of Contract Practice) is part of the Council's Constitution. Amendments to the Code were agreed by Council in April 2010. This follows reviews in 2008 and 2009. The Code of Procurement Practice will be reviewed at least once every other year, with changes made as appropriate. The Code will be included in on-going procurement training for senior officers and those involved in procuring goods and services. 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. Senior Managers have received specialist procurement training and are responsible for following good procurement practice.

Finance & Audit Scrutiny Committee has taken a keen interest in procurement forming a Procurement Working Party of three members which has helped raise the profile of the function throughout the organisation.

It has been recognised that ongoing work needs to be undertaken in relation to Procurement and contract management in general. In March 2010 Executive agreed extra officer resource to help enable the authority to realise further savings: Monitoring of the savings is part of the Council's budget/financial monitoring process. With regard to contract management, comprehensive training was due to be provided for all budget managers but due to other demands had to be delayed. This will be addressed in financial year 2011/12.

There is a uniform report template which sets out the standard information required for a Committee decision to be taken, and a protocol is in place for officer attendance at Committees. There are guidance notes for officers on writing reports. The template and associated guidance have been updated to reflect FFF and will be in place for early 2011/12.

Committee Services has identified the need to set up a system to monitor the implementation of decisions. Appropriate software has been installed allowing this to happen but other work demands have left the initiative outstanding. The Corporate Management Team (CMT) has identified the need to better record the comments of officers involved in the development of reports. It is probable that officers will be using software which enables more effective collaborative working on reports from autumn 2011.



# ANNUAL GOVERNANCE STATEMENT

The Council approved a Risk Management Policy Statement and Strategy in January 2003 and this is updated annually and reported to Finance & Audit Scrutiny Committee. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Management Group has been refreshed and its Terms of Reference revised to develop a comprehensive performance framework for risk management and to help embed risk management across the Authority. Service Area risk registers are in place and appropriate staff have been trained in the identification, assessment and monitoring of risks. From April 2010 there is a rolling review of Service Area risks and high level corporate risks are reported to the Executive every quarter. The Corporate and Strategic Risk Register has been updated to reflect FFF. In addition, the FFF programme has its own risk register.

The Use of Resources (UoR) assessment for managing risk scored the authority at "2" (meets minimum requirements). Further actions for improvement are being addressed as part of the Fit for the Future Change Programme.

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

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.

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

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

- Approves (but not directs) Internal Audit's strategy, plan and 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.

# ANNUAL GOVERNANCE STATEMENT

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

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

SMT will monitor compliance with internal policies from time to time; examples are the annual review of appraisals undertaken; compliance with health and safety policy; Equality and Diversity annual report. Internal Audit will identify any key policies that might need to be tested as part of any audit.

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.

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.

The Council publishes a Forward Plan on a monthly basis which contains details of all decisions to be made by the Executive.

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

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.

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:

- Approves (but not directs) Internal Audit's strategy, plan and performance;
- 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.

The strategy also describes the arrangements for investigating allegations of wrongdoing.

# ANNUAL GOVERNANCE STATEMENT

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.

The policy aims to:

- Approves (but not directs) Internal Audit's strategy, plan and performance;
- 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 and
- reassure employees that they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made any disclosure in good faith.

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.

The Council has a Complaints Policy which describes how members of the public can make a complaint. All officers dealing with complaints have been appropriately trained. 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**

There is a Members' Development Programme agreed by the Members' Development Group. The Group considers the Programme to be of high quality and a submission has previously been made to the West Midlands Local Government Association for the Members' Development Charter Primary Award. Members undertake a self-assessment of development needs and significant support is provided by officers.

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

Members of the Corporate Management Team are encouraged to attend appropriate SOLACE training whilst all senior managers are encouraged to attend relevant professional seminars and conferences. The Senior Management Team has received on-going professional coaching throughout the year to aid service transformation.

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

The Council issues a residents' magazine distributed cost-effectively with the Observer free newspaper or separately delivered in rural areas that do not receive the Observer. The Council's annual performance is reported in one of these issues.

# ANNUAL GOVERNANCE STATEMENT

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

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

The Council has identified the need to improve its dialogue with hard to reach groups in order to ensure its services are responsive to the whole community. A Community Engagement Strategy has been agreed by Executive and the revised Committee Report template is more explicit in ensuring that officers identify what consultation has occurred when proposals are brought forward.

The results of the Place Survey are analysed according to geographical communities and communities of interest.

The Council has had two citizens' panels during the year in order to gain views from a representative sample of constituents.

A Communication and Marketing Strategy has been drafted although this will need revisiting during 2011/12 to take account of organisational and cultural developments.

## **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**

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.

The Scrutiny Committees have reviewed the effectiveness of a number of partnerships and it is hoped that this work can be built on during 2011/12.

## **4. REVIEW OF EFFECTIVENESS**

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.

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

# ANNUAL GOVERNANCE STATEMENT

## 4.1 The Authority

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.

### The Executive

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

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

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

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.

## 4.3 The Standards Committee

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

## 4.4 Internal Audit

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.

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.

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, summaries of the audits.

Internal Audit is fully-compliant with all eleven elements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

# ANNUAL GOVERNANCE STATEMENT

## 4.5 Other review/assurance mechanisms

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. It is anticipated that self-regulation will develop through 2011/12.

The Council has actively used the EFQM Excellence Model as a tool for improving practice against an internationally recognised model and as a tool for benchmarking against cross-sector organisations. The Council has consistently increased its EFQM scores over four assessments. In 2008 the Council was the West Midlands Award Winner (competing against organisations from all sectors) in the Midlands Excellence EFQM Awards. The Council has also been Investors In People accredited since the late 1990s. A number of services are externally accredited against specific standards, for instance Building Control, and Food Safety are both accredited under ISO9000.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Finance and Audit Scrutiny Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 5. SIGNIFICANT GOVERNANCE ISSUES

Governance issues that are identified for improvement are highlighted in the bullets below. The actions have been identified from work done on the statement above, in collecting the evidence required and through completion of the Service Assurance Statements:

1. Ensure that budgets are managed robustly so the Council is able to deliver the services its customers value but with a much reduced income. **ACTION** Ongoing support from accountants; training on Code of Financial Practice and Code of Procurement Practice.
2. Ensure that procurement practice addresses compliance and innovation issues with a focus on planning for the tender process. **ACTION** Organisation-wide awareness sessions on best practice approach to procurement; training on Code of Financial Practice and Code of Procurement Practice.
3. Ensure that the new performance management framework is embedded and understood throughout the organisation. **ACTION** Ongoing support to service areas from line managers to focus on the importance of measures and how to learn from them to improve service.
4. Ensure that the Council's decision-making processes enable full officer and Member scrutiny. **ACTION** Reports to be circulated in a timely fashion allowing contribution from all appropriate officers and Members receive reports with necessary time for consideration.
5. Ensure that the Council has a joined-up approach to communication and marketing. **ACTION** Review the draft Communication and Marketing Strategy.
6. Ensure that the Council's individual partnerships are reviewed on an annual basis. **ACTION** Completion of the annual health check for each of the Council's partnerships.

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.

# ANNUAL GOVERNANCE STATEMENT

**Signed:**

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Michael Doody  
Leader of the Council

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Chris Elliott  
Chief Executive

**Dated:**

29 June 2011

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29 June 2011

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