WARWICK DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2015/16 and

ANNUAL GOVERNANCE STATEMENT

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NARRATIVE REPORT

Message from the Head of Finance – Mike Snow

Legislation requires that an authority's audited Statement of Accounts is submitted to the appropriate body (in Warwick District, the full Council) for approval by 30 September after the end of the financial year, in order to aid transparency, it also requires all local authorities to have a common thirty day public inspection period which includes the first ten working days in July. There is no longer a requirement for the audit committee to review the draft accounts; however, in line with good practice they will be presented to the Audit and Resources Scrutiny Committee in July.

The preparation of the accounts in a timely manner provides the Council with the opportunity to report its financial position and then move on to address the challenges arising from the continued reduction in Government funding.

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

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

- Understand the overarching financial position of the Council and the outturn for 2015/16;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The style and format of the accounts complies with CIPFA standards and is similar to that of previous years. In accordance with the Auditors' 2014/15 recommendation, the content has been reviewed and the "de-cluttering" exercise has continued to seek to make the accounts more understandable.

The Narrative Report (a change in requirements for 2015/16 replacing the Explanatory Foreword) provides information about Warwick District, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2016 and is structured as below:

- An Introduction to Warwick District
- Key Facts about Warwick District
- Key Information about Warwick District Council
- The 2015/16 Revenue Budget Process
- Capital Strategy and Capital Programme 2015/16 to 2018/19
- Financial Performance of the Council 2015/16
- Non-Financial Performance of the Council 2015/16
- Corporate Risks
- Summary Position
- Receipt of Further Information
- Acknowledgements

This is followed by an explanation of the Financial Statements, including information on significant transactions during 2015/16.

NARRATIVE REPORT

An Introduction to Warwick District

Warwick District Council is one of five district / borough councils within the shire county of Warwickshire. It lies in the south of Warwickshire and covers approximately 28,288 hectares. The district is a mixture of urban – there are four towns within the district: Royal Leamington Spa, Warwick, Kenilworth and Whitnash – and rural areas.

Royal Leamington Spa has wide boulevards, Georgian and Edwardian architecture and expansive, award-winning parks. Both Warwick and Kenilworth are steeped in history and each has a renowned castle.

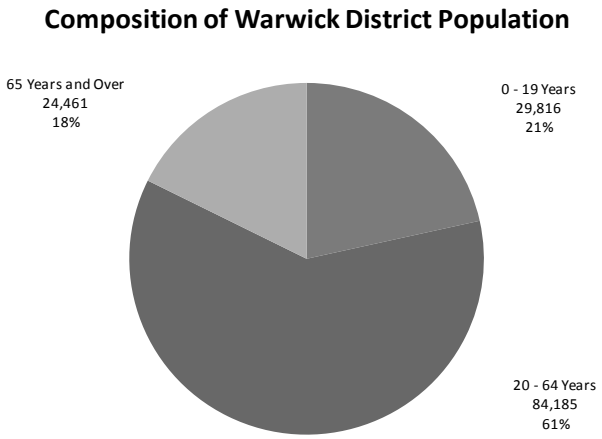
The Council's vision is to "make Warwick District a Great Place to Live, Work and Visit".

Key Facts about Warwick District

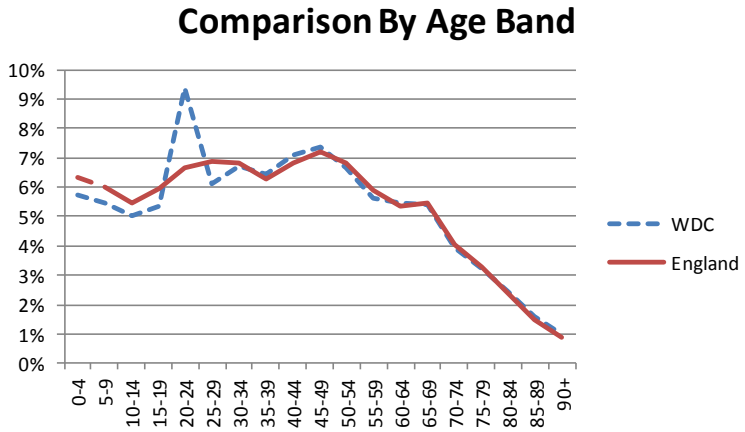
The profile of the local population dictates the direction and substance of the services provided by the Council.

Population

The Office for National Statistics Mid-Year Estimates for 2014 reported that Warwick District's estimated population was 138,462 with the age profile as presented below:



A comparison of Warwick District's age profile with England as a whole shows that for people aged 30 years and above the Warwick District population is virtually the same. However, at up to 19 years old the District is below the national average but has a much higher percentage of 20 to 24 year olds reflecting the large number of students in the area.



NARRATIVE REPORT

Key Information about Warwick District Council

Warwick District Council is a multifunctional and complex organisation. Its policies are directed by the political leadership and implemented by Portfolio Holders, who make up the Executive, and officers of the Council. The following section describes the political and management structures of the Council, the political ethos driving the policy agenda and the means by which these are implemented and managed.

Political Structure in the 2015/16 Municipal Year

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

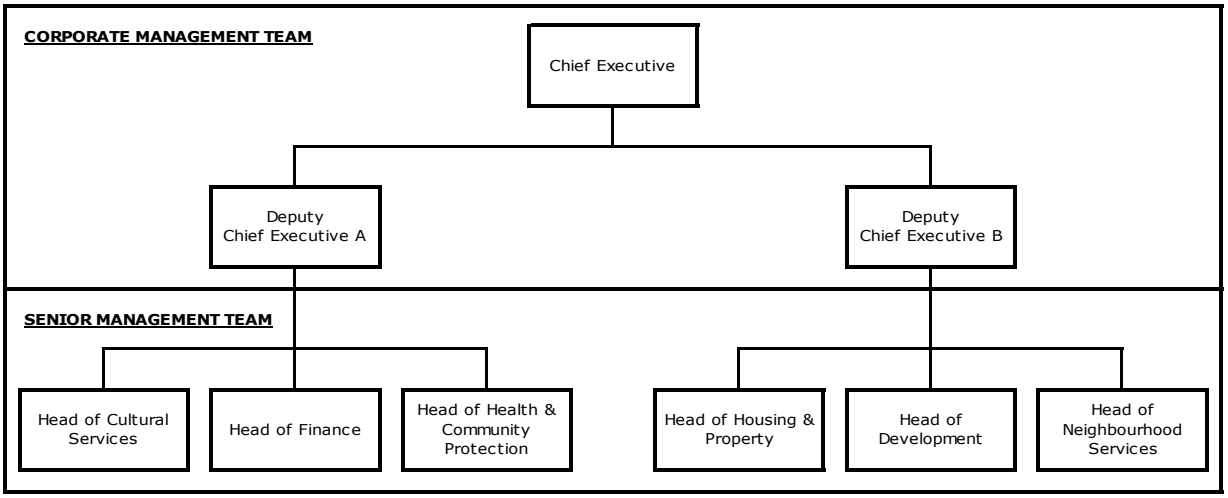
Conservative Party	31 Councillors
Labour Party	9 Councillors
Whitnash Residents Association (Independent)	3 Councillors
Liberal Democrat Party	2 Councillors
Green Party	1 Councillor

The Council has adopted the Leader and Executive model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Executive has responsibility for the allocation of Portfolios and the delegation of Executive Functions. Executive members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Executive decisions for 2015/16, including the setting of a balanced budget for 2016/17, has been undertaken by either the:

- Finance and Audit Scrutiny Committee; or the
- Overview and Scrutiny Committee.

Management Structure

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



During 2015/16 the Corporate Management Team was comprised of the Chief Executive and two Deputy Chief Executives. Deputy Chief Executive A also performs the duties of the Monitoring Officer and Legal Client Manager.

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

NARRATIVE REPORT

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

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

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

Council Employees

The whole time equivalent number of staff employed by the Council in April 2015 was 452. This increased over the year by 19 to 471 in March 2016 following the transfer of 9 Building Control staff from Daventry and Rugby to form a shared service, the appointment of two call centre staff following the repatriation of the service to this Council from Warwickshire County Council and making some casual staff permanent. There were also 7 redundancies following service restructures.

Sustainable Community Strategy

The Council has faced significant cuts in its funding from central government over the past few years resulting in revenue reductions of over £4m during the period 2009/10 to 2015/16. A further £1.8m of savings have been built into the budgets during 2016/17 to 2019/20.

Working with its partners who share the same vision the Council has consulted widely to find out the views of residents, local community groups and neighbourhood forums. Together we have produced a long term plan, known as the Sustainable Community Strategy. This will guide the Council towards creating a District where people feel safe, enjoy a healthy lifestyle and sense of wellbeing, have their housing needs met and there is a strong, diverse economy.

Fit for the Future change programme was approved by the Council on 20 October 2010. This programme will enable the Council to provide high quality services which its customers value, improve the way it develops as an organisation and balance its budget.

In moving forwards it is critical that we are clear of our place, leadership role and priorities. We are now five years into our Fit for the Future, with the programme having been regularly reviewed and updated over that period. 2016 will see us review our progress over those five years and, following a Corporate Peer Challenge review, set out a plan for the next few years.

The Council's Corporate Action Plan

In 2009 The Warwick Partnership (the Local Strategic Partnership) published its Sustainable Community Strategy (SCS) for the District SCS, with a shared Vision of Warwick District as "a great place to live, work and visit, where we aspire to build sustainable, safer, stronger and healthier communities". As time has moved on and the national and local landscape has evolved, the Council has ensured that the Strategy has remained relevant with a significant review in 2013. The review concluded that the Strategy should focus on five key themes:

- Health & Wellbeing;
- Housing;
- Prosperity;
- Safer Communities; and
- Sustainability.

Progress against the strategic priorities is reported to Members on a six-monthly basis.

NARRATIVE REPORT

Key Factors that Influenced the Council and its Financial Position in 2015/16

The key factors that have influenced the Council and the services that it provided in 2015/16 are:

- Local Government Finance Acts;
- The Local Government Finance Settlements; and
- Economic downturn and continuing reduction in the national deficit.

These issues will continue to frame the way in which Council services are provided in future financial years.

Political

- Local Government Finance – the General Election in May 2015 returned a majority Conservative Government. As expected, work to reduce the national deficit continued with the Chancellor's Summer Budget in July 2015 confirming that an additional £20 billion of public sector spending reductions would be required by 2020. The Chancellor's Budget of March 2016 included further proposals for Government policies and strategies aimed at reducing the national budget deficit.
- Spending Review – the outcome of the Spending Review was announced by the Chancellor on 25 November 2015. The review was wide-ranging and raised some new issues not previously anticipated. It set out fundamental changes to Local Government and its future financial arrangements including (for a shire district council):
    - The end of Revenue Support Grant, the main un-ringfenced grant received by Councils;
    - The ability of Local Authorities to retain 100% of Business Rates;
    - The assignment of yet to be notified additional responsibilities.

  While the Spending Review did not have a direct impact on the Council's financial position in 2015/16 it is important to consider the package of measures announced as they will start to have an effect in 2016/17 and beyond.

- The Welfare Reform Act – introduced in 2012 with the aim of reducing the national welfare bill by £5.5 billion by 2016, including the withdrawal of Local Welfare Provision monies from 2015/16. The Chancellor announced in his July 2015 Summer Budget that there would be a further £12 billion reduction in spending on welfare, although there have been some changes to the proposals initially announced.

Economic

- Government austerity measures – aimed at getting the public sector deficit under control have continued to influence resources available to the Council, with the Council having to make considerable budget reductions. As the Government's own targets have changed, it has meant that the austerity measures have been extended to 2020.
- Business Rate Relief – the schemes, including Small Business Rate Relief which operated throughout 2014/15 were extended for one more year and business rates increases were again capped at 2% from April 2015. Every retail business in England occupying premises with a rateable value of up to £50,000 was eligible for a business rates discount worth £1,500 (£1,000 in 2014/15).

Social

- The 2014 Office for National Statistics mid-year estimates reported Warwick District's population at 138,462.
- Warwick District has a slightly lower proportion of people up to 19 years old compared to England as a whole. However, the proportion of people aged 20 to 24 is considerably higher in the District. From 25 years onwards the District has a similar proportion of people as the national average.

- The National Living Wage increases to £7.20 per hour in April 2016 for over-25s only; it is uncertain how its introduction will affect local small businesses and low-paid local sectors such as childcare and retail.

Technological

- The huge increase in the use of the internet, social media and social networking has made these channels one of the main ways of informing and communicating with others.
- As part of the Council's redesign of services its Digital Transformation Policy will greatly enhance the use of digital technology for its customers to access the council's services.

Legal

- Finance Act 2015 and National Insurance Contributions (Rate Ceilings) Act 2015 – include legislation to ensure that there would be no rise in the Income Tax rate, VAT or National Insurance before 2020. It also raises the Income Tax threshold to £12,500 by 2020.
- Local Audit and Accountability Act 2014 – this act included measures to abolish the Audit Commission in March 2015 and replace it with a new Local Audit Framework. It also extended the Council Tax Referendum provisions.
- The Welfare Reform and Work Act 2016 – received royal assent in March 2016 and includes wide-ranging provisions covering employment and the apprenticeships targets, support for troubled families and life chances, the benefit cap, social security and tax credits, loans for mortgage interest and social housing rents.
- Accounts and Audit Regulations 2015 – which has changed the timeline for the production and approval of Local Authorities' Statement of Accounts.
- Housing and Planning Act 2016;
- A number of other bills are making their way through Parliament which will potentially impact on the Council in coming years and which have influenced plans for 2015/16 onwards. Examples include: the Enterprise Bill and the Energy Bill.

Environmental

- Carbon Reduction Commitment (CRC) – the Government proposes by 2019 to end the current mandatory scheme, which was aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. The replacement will be a new universal Climate Change Levy on business, resulting in a new tax on the Council's energy costs.
- Adverse weather conditions may require extra investment in preventative measures and could result in costs to the local economy if the infrastructure is out of action for an extended period of time.

The 2015/16 Revenue Budget Process

The 2015/16 revenue budget process was influenced and framed by the continued need to make reductions in expenditure whist progressing Council priorities.

In December 2014 the Executive and Council approved detailed budget reports for both the General Fund and Housing Revenue Account for setting the 2015/16 revenue budgets.

By February 2015 the Council had received the 2015/16 Revenue Support Grant Settlement; updated business rate retention projections for 2015/16 and New Homes Bonus 2015/16 and an updated Council Rent Policy in addition to any further changes in circumstances. The Executive recommended that the net General Fund revenue budget for 2015/16 be set at £7.466m; this was approved by Council at its meeting on 25 February 2015. Council also approved the Capital Programme for 2015/16 to 2018/19 and the Medium Term Financial Strategy 2015/16 to 2019/20 along with the Housing Revenue Account Budget for 2015/16.

NARRATIVE REPORT

Council Tax

Council policy in 2015/16 was once again to freeze Council Tax and take advantage of the Council Tax Freeze Grant offered by Government. An indicative allocation of £78,700 was included within the 2015/16 Revenue Budget Report, with Central Government confirming a final allocation of £82,100 on 27 April 2015. Both Warwickshire County Council and the Office for the Warwickshire Police and Crime Commissioner both increased their Council Tax by 1.95% and 1.99% respectively.

The comparison of Council Tax levels from 2013/14 to 2015/16 is shown below:

Band D Council Tax by Tax Raising Body	**2013/14 £**	**2014/15 £**	**2015/16 £**
Warwick District Council	146.86	146.86	146.86
Warwickshire County Council	1,155.25	1,178.19	1,201.14
Office of Warwickshire Police and Crime Commissioner	180.96	184.56	188.23
Average Parish and Town Councils	23.13	24.23	24.26
TOTAL Band D Council Tax	**1,506.20**	**1,533.84**	**1,560.49**

Council Tax Base

The revision to the 2015/16 Tax Base, resulting in an increase of 999.85 to the number of Band D equivalent properties (as shown in the table below), produced a net increase in Council Tax income of £146,840 for Warwick District Council. This in part reflects the Council's support for local house building and the regeneration of the district.

	2013/14	**2014/15**	**2015/16**
Number of Band D equivalent dwellings	48,530.30	49,836.88	50,836.73

Collection Fund

Payments out of the Collection Fund for in-year Council Tax (excluding prior year surpluses / deficits) from 2013/14 to 2015/16 are set out in the table below and show a year on year increase in funding available for the precepting bodies reflecting the increase in the Council Tax Base and any increase in demand:

	2013/14 £'000	**2014/15 £'000**	**2015/16 £'000**
Warwick District Council	7,127	7,319	7,466
Warwickshire County Council	56,065	58,717	61,062
Office of Warwickshire Police and Crime Commissioner	8,782	9,198	9,569
Average Parish and Town Councils	1,122	1,208	1,233
TOTAL Demands	**73,096**	**76,442**	**79,330**

Medium Term Financial Strategy for 2015/16 to 2019/20

The Medium Term Financial Strategy (MTFS) was approved at the Council meeting on 25 February 2015 and it set the framework to enable the Council to determine an appropriate course of action to address significant financial challenges not only for 2015/16 but for future financial years.

The revenue budget reductions included in the MTFS highlighted that the Council would have to continue the Fit for the Future change programme for future business and organisational arrangements in order to continue to provide value for money public services. The original MTFS budget reduction requirements reflected future years' revised targets following the Comprehensive Spending Review of 2013 and the 2015/16 Settlement. Information provided in the Settlement was for 2015/16 only and no indicative figures were issued for 2016/17. This reduced the opportunity for a more informed assessment of future Government grant support. Subsequent announcements, which helped inform the 2016/17 budget round including the Summer Budget of 8 July 2015, Spending Review of 25 November 2015 and final Local Government Settlement of 8 February 2016, have enabled a much more comprehensive assessment of the Council's future financial position.

The major influences on the budget going forward to 2017/18 and beyond are the continued anticipated reductions in Central Government support, including the implementation of 100% business rates retention, and expenditure pressures relating to: pay awards, inflation and capital financing in relation to the Council's capital programme.

Budget Reviews

Revenue and capital budget review information is reported monthly to the Senior Management Team and quarterly to the Executive. Executive reports are reviewed by the Finance and Audit Scrutiny Committee. The third quarter report to the Executive (December) is a detailed review of budgets which also includes the first draft of the detailed budgets for the forthcoming year.

Capital Programme 2015/16 to 2018/19

The Capital Programme was approved at the Council meeting of 25 February 2015. The programme is set over a four year period 2015/16 to 2018/19.

In total the planned programme for 2015/16 was £20m, mostly funded from internal reserves. The largest element of the programme, at £10.7m, was the building of new Council housing stock. As 2015/16 progressed, the initial plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates, as information became available. The revised capital programme for 2015/16 was £21.7m.

Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2015/16 Capital Programme and the indicative programme to 2019/20. This level of resources ensures that the overall planned spending and funding are in balance.

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital Receipts	1,378	504	187	187	188
Grants and Other Contributions	1,226	499	423	423	422
Revenue Contributions	19,053	10,715	5,280	5,514	5,087
TOTAL Programme / Funding	**21,657**	**11,718**	**5,890**	**6,124**	**5,697**

NARRATIVE REPORT

Financial Performance of the Council 2015/16

Revenue Outturn Position – General Fund Services

The Council's 2015/16 revenue outturn position in respect of its General Fund Services is shown in the table below. The original budget set at the Council meeting on 25 February was £13.563m. The original budget set out how the Council planned to allocate its funding during the year in order to deliver services to the people and communities within Warwick District. As the year progressed various amendments to the Council's funding allocations were announced by the Government and amendments were made to ensure that the Council complied with accounting standards and practice. This resulted in total changes of £1.046m.

In overall terms, the Council achieved a surplus of £1.7m for the financial year when comparing budgeted (planned) expenditure with actual expenditure. The surplus for the year has been allocated £232,000 to 2016/17 budgets and the balance of £1.5m to reserves.

	Original Budget £000	Actual £000	Variation £000
Net Revenue Expenditure:			
Culture	3,472	5,960	2,488
Development Services	1,999	1,464	(535)
Finance	2,288	2,010	(278)
Health & Community Protection	2,514	2,992	478
Housing and Property Services	2,761	621	(2,140)
Neighbourhood Services	4,855	4,516	(339)
Strategic Leadership	1,727	1,603	(124)
Net Service Expenditure	**19,616**	**19,166**	**(450)**
Less Financing Adjustments	(4,827)	(5,396)	(569)
Total Net Expenditure	**14,789**	**13,770**	**(1,019)**
Financed By:			
Council Tax Payers	(7,466)	(7,466)	-
Revenue Support Grant	(2,499)	(2,499)	-
Retained Business Rates	(2,835)	(3,718)	(883)
New Homes Bonus Returned Funding	(264)	(10)	254
Right To Move Grant	-	(71)	(71)
Transparency Setup Grant	-	(8)	(8)
Council Tax Freeze Grant	(79)	(82)	(3)
New Homes Bonus Grant	(1,623)	(1,623)	-
Council Tax Support Grant	(23)	(23)	-
Council Tax Annex Discount Grant	-	(2)	(2)
Total Financing	**(14,789)**	**(15,502)**	**(713)**
NET UNDERSPEND FOR YEAR	**-**	**(1,732)**	**(1,732)**

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

- Capital charges – re-profiling of the capital programme, depreciation and impairment charges has resulted in increased capital charges of £1.3m.
- £0.3m of various revenue programmes not completed in 2015/16 has been carried forward to 2016/17.

Excluding the above notional charges there is a net underspend of £1.7m for the year. The two most notable items are:

- Increased income from fees and charges £1.4m.
- Additional contributions of £218,000 received from third parties towards costs of service provision.

Revenue Outturn Position - Housing Revenue Account

The Council's 2015/16 revenue outturn position in respect of its Housing Revenue Account (HRA) is shown in the table below. The original budget set at the Council meeting on 25 February was to transfer an operating surplus of £5.368m to the HRA Capital Investment Reserve. The original budget set out how the Council planned to allocate its funding during the year in order to deliver its landlord services to its tenants within Warwick District. As the year progressed various amendments were made to work programmes. This resulted in increased work of £1.665m thus reducing the contribution to the HRA Capital Investment Reserve to £3.703m.
In overall terms, the HRA achieved a surplus of £1.7m for the financial year when comparing budgeted (planned) expenditure with actual expenditure.

	Original Budget £000	Actual £000	Variation £000
Expenditure:			
Employees	2,204	2,313	109
Premises	6,794	7,286	492
Transport	100	87	(13)
Supplies and Services	926	725	(201)
Third Party Payments	723	673	(50)
Support Services	2,198	3,854	1,656
Capital Charges	3,011	(15,686)	(18,697)
Total Expenditure	**15,956**	**(748)**	**(16,704)**
Income:			
Other Grants and Contributions	(502)	(526)	(24)
Other Income	(82)	(110)	(28)
Fees and Charges	(673)	(707)	(34)
Rents	(26,672)	(26,727)	(55)
Recharges	(1,269)	(2,945)	(1,676)
Total Income	**(29,198)**	**(31,015)**	**(1,817)**
Net Cost of Services	**(13,242)**	**(31,763)**	**(18,521)**
Adjustments and Appropriations:			
Interest on Balances	(172)	(199)	(27)
Capital Charges Adjustment	3,038	21,571	18,533
External Interest Paid	4,766	4,766	-
Revenue Contrib. to Capital Outlay	286	357	71
Contribution to / (from) Reserves	8	5	(3)
Increase in HRA Balance	33	33	-
Other Adjustments	(85)	(158)	(73)
Transfer to HRA Cap. Invest. Res.	**(5,368)**	**(5,388)**	**(20)**

The main variances relate to:

- £18.7m reduction in asset impairments.
- £505,000 increase on repairs and maintenance programme.

- £259,000 of various revenue programmes not completed in 2015/16 has been carried forward to 2016/17.
- £222,000 less doubtful debts provision required.

Capital

The Council spent £14.8m on its Capital Programme in 2015/16 compared with a revised forecast spend of £21.7m. The Capital Programme was financed through a number of sources including capital receipts, external grants and contributions and revenue contributions. The capital expenditure incurred during the year and financing of this expenditure are shown in the tables below:

HOUSING INVESTMENT PROGRAMME (HIP)	Original Budget £000	Actual £000	Variation £000
HRA Related HIP:			
New Build / Reprovision of Housing	10,687	7,546	(3,141)
Improvement / Renewals	5,059	4,182	(877)
Lettings Incentive Scheme	100	49	(51)
Total HRA HIP	**15,846**	**11,777**	**(4,069)**
General Fund Related HIP:			
Private Sector Housing	610	727	117
TOTAL HIP	**16,456**	**12,504**	**(3,952)**
Financed By:			
Capital Receipts	(830)	(1,672)	(842)
Capital Grant	(365)	(397)	(32)
Major Repairs Reserve	(4,872)	(3,874)	998
HRA Capital Investment Reserve	(10,102)	(6,204)	3,898
Revenue	(287)	(357)	(70)
Total Financing	**(16,456)**	**(12,504)**	**3,952**

Other Services Programme	Original Budget £000	Actual £000	Variation £000
Capital Expenditure:			
Culture	103	297	194
Development Services	1,669	481	(1,188)
Finance	410	293	(117)
Health & Community Protection	-	97	97
Neighbourhood Services	1,065	967	(98)
Strategic Leadership	256	153	(103)
Net Service Expenditure	**3,503**	**2,288**	**(1,215)**
Financed By:			
Internal Borrowing	-	(111)	(111)
Capital Receipts	(682)	(469)	213
External Contributions	(614)	(250)	364
Revenue / Reserves	(2,207)	(1,458)	749
Total Financing	**(3,503)**	**(2,288)**	**1,215**

NARRATIVE REPORT

The variance between the forecast capital expenditure and the final outturn for the year was a reduction of £5.17m. Capital slippage from 2014/15 and a revised capital programme resulted in an underspend at the year end of £6.87m. Some of this was savings on completed projects but the majority is work not competed in the year. This will require the re-profiling £5.744m of planned expenditure into 2016/17 together with the associated financing. Therefore this does not present any financial issues for the Council.

Non-Financial Performance of the Council 2015/16

Achievements

Although times are challenging for Warwick District Council and the Local Government Sector as a whole, the Council has achieved significant success in its key policy areas. For example:

Health and Wellbeing:

- Exercise Referral Scheme – Warwick District Council is working in partnership with "Fitter Futures Warwickshire" to deliver an Exercise Referral Programme to the residents of Warwick District.
- "Healthy Warwick" - Match-funding contribution made by the WDC to the 'Healthy Warwick' grants in conjunction with Public Health and the South Warwickshire Clinical Commissioning Group.

Housing:

- Development of 81 units of Council Tenant accommodation for "active elderly" in the heart of Leamington Spa.
- Development of 31 units of Social Housing accommodation with housing partner Waterloo Housing Group again in the heart of Leamington.

Prosperity:

- Leverage of LEP grant to refurbish Council-owned property for high-tech sector.
- Facilitation of major planning application for sub-regional employment site.

Safer Communities:

- Continued investment in CCTV led directly to over 400 arrests.
- Working with Warwick University to deliver Street Marshall and Pastor service to make Leamington Spa's streets safer.

Sustainability:

- Working with major developer to achieve planning consent for a major Country Park in the south of the District.
- Major government grant secured for the feasibility of developing local heat networks.

Performance Against Corporate Objectives

As the Council's main strategy documents the Sustainable Community Strategy and Fit For The Future Change Programme play key roles in shaping the performance management framework for the Council. The main objectives are:

- Support all town centres to flourish.
- Support the District's economically disadvantaged residents.
- Adopt a Local Plan that balances the needs of all stakeholders.
- Help to attract inward investment to the District.

They all contribute to the Council's Vision of making Warwick District a great place to live, work and visit.

Each service area produces a Service Area Plan which is approved and reviewed by the Executive.

NARRATIVE REPORT

Corporate Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside national and local performance targets. The Significant Business Risk Register plays an integral role to support the Council's activities and is the responsibility of the Executive and is subject to review by the Finance and Audit Scrutiny Committee.

Summary Position

It is clear that the Council's financial and non-financial performance in 2015/16 continues to be good.

In 2015/16, the Council has faced and dealt successfully with significant change. This trend will continue and accelerate but the Council is well placed to adapt to the challenges and to take advantage of the opportunities offered. There are risks as highlighted above, but there are well established and robust risk management processes in place and, together with robust financial management reporting, the Council is in a strong position as it moves into 2016/17.

Receipt of Further Information

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

Acknowledgements

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

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

GUIDE TO THE FINANCIAL STATEMENTS

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

Page 16 **Statement of Responsibilities**
This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.

Page 17 **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 18 **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 19 **Balance Sheet**
The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority.

Page 20 **Cash Flow Statement**
This statement shows the changes in cash and cash equivalents of the authority during the reporting period.

Page 21 **Notes to the Accounts**
These notes provide supplementary information to support the main financial statements above.

Page 80 **Housing Revenue Account Income and Expenditure Statement**
This statement shows in more detail the income and expenditure on Housing Revenue Account services included in the whole authority Comprehensive Income and Expenditure Statement.

Page 81 **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 82 **Notes to the Housing Revenue Account**
These notes provide supplementary information for the Housing Revenue Account.

Page 87 **Housing Major Repairs Reserve Account**
This statement details the income and expenditure during the year on major 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 revenue on behalf of Warwickshire County Council, the Office of the Warwickshire Police and Crime Commissioner and the Government.

Page 89 **Notes to the Collection Fund**
These notes provide supplementary information for the Collection Fund.

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

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

Statement of Accounts approved at the Council meeting on 21 September 2016

Chair of the Council Meeting
Councillor Mrs Jane Knight

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2016 and its income and expenditure in the year ended 31 March 2016.

8 September 2016

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

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	**1,502**	**14,478**	**1,323**	**17,791**	**5,651**	**764**	**1,862**	**43,371**	**159,137**	**202,508**
Movement in reserves during 2014/15										
Surplus or (Deficit) on provision of services (accounting basis)	(4,752)	-	22,946	-	-	-	-	18,194	-	18,194
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(6,079)	(6,079)
Total Comprehensive Income and Expenditure	**(4,752)**	**-**	**22,946**	**-**	**-**	**-**	**-**	**18,194**	**(6,079)**	**12,115**
Adjustments between accounting basis and funding basis under regulations (Note 6)	7,862	-	(19,047)	-	(67)	1,835	(795)	(10,212)	10,212	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,110**	**-**	**3,899**	**-**	**(67)**	**1,835**	**(795)**	**7,982**	**4,133**	**12,115**
Transfers to / (from) Earmarked Reserves (Note 7)	(2,508)	2,508	(3,869)	3,869	-	-	-	-	-	-
Increase / (Decrease) in 2014/15	**602**	**2,508**	**30**	**3,869**	**(67)**	**1,835**	**(795)**	**7,982**	**4,133**	**12,115**
Balance at 31 March 2015 carried forward	**2,104**	**16,986**	**1,353**	**21,660**	**5,584**	**2,599**	**1,067**	**51,353**	**163,270**	**214,623**
Movement in reserves during 2015/16										
Surplus or (Deficit) on provision of services (accounting basis)	(2,097)	-	27,572	-	-	-	-	25,475	-	25,475
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	31,262	31,262
Total Comprehensive Income and Expenditure	**(2,097)**	**-**	**27,572**	**-**	**-**	**-**	**-**	**25,475**	**31,262**	**56,737**
Adjustments between accounting basis and funding basis under regulations (Note 6)	3,063	-	(28,350)	-	1,372	2,012	(85)	(21,988)	21,988	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**966**	**-**	**(778)**	**-**	**1,372**	**2,012**	**(85)**	**3,487**	**53,250**	**56,737**
Transfers to / (from) Earmarked Reserves (Note 7)	(1,260)	1,260	811	(811)	-	-	-	-	-	-
Increase / (Decrease) in Year	**(294)**	**1,260**	**33**	**(811)**	**1,372**	**2,012**	**(85)**	**3,487**	**53,250**	**56,737**
Balance at 31 March 2016 carried forward	**1,810**	**18,246**	**1,386**	**20,849**	**6,956**	**4,611**	**982**	**54,840**	**216,520**	**271,360**

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 2014/15 £000	Gross Income 2014/15 £000	Net Expenditure 2014/15 £000		Notes	Gross Expenditure 2015/16 £000	Gross Income 2015/16 £000	Net Expenditure 2015/16 £000
2,655	(1,297)	1,358	Central Services to the Public		2,992	(1,508)	**1,484**
11,164	(3,728)	7,436	Cultural and Related Services		11,761	(4,733)	**7,028**
7,700	(2,583)	5,117	Environmental and Regulatory Services		8,607	(2,595)	**6,012**
5,011	(1,997)	3,014	Planning Services		5,820	(2,870)	**2,950**
2,542	(3,137)	(595)	Highways and Transport Services		2,221	(3,268)	**(1,047)**
14,743	(27,533)	(12,790)	Local Authority Housing (HRA)		14,957	(28,071)	**(13,114)**
(16,110)	-	(16,110)	Local Authority Housing (HRA) - Impairment charges / reversals		(18,747)	-	**(18,747)**
32,870	(31,663)	1,207	Other Housing Services		33,294	(32,130)	**1,164**
1,761	(17)	1,744	Corporate and Democratic Core		1,941	(175)	**1,766**
207	-	207	Non-Distributed Costs		76	-	**76**
62,543	**(71,955)**	**(9,412)**	**Cost of Services - continuing operations**		**62,922**	**(75,350)**	**(12,428)**
3,345	-	3,345	Other Operating Income and Expenditure	8	2,211	(527)	**1,684**
7,113	(995)	6,118	Financing and Investment Income and Expenditure	9	6,605	(3,982)	**2,623**
-	(18,245)	(18,245)	Taxation and Non-Specific Grant Income and Expenditure	10	-	(17,354)	**(17,354)**
		(18,194)	**(Surplus) or Deficit on Provision of Services**				**(25,475)**
			Other Comprehensive Income and Expenditure:				
		(3,697)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment assets	22			**(17,405)**
		(65)	Surplus or deficit on revaluation of available for sale financial assets	22			**17**
		9,841	Remeasurement of the net defined benefit liability / (asset)	22			**(13,874)**
		6,079	**Other Comprehensive Income and Expenditure**				**(31,262)**
		(12,115)	**Total Comprehensive Income and Expenditure**				**(56,737)**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 29 June 2016.

31 March 2015 £000		Notes	31 March 2016 £000
331,258	Property, Plant and Equipment	11	369,905
7,919	Heritage Assets	12	8,255
8,942	Investment Properties	13	11,477
49	Intangible Assets	14	47
1	Long Term Investments	15	-
867	Long Term Debtors	15	862
349,036	**LONG TERM ASSETS**		**390,546**
32,226	Short Term Investments	15	31,361
363	Assets Held for Sale	16	796
39	Inventories		25
3,394	Short Term Debtors	17	4,224
23,314	Cash and Cash Equivalents	18	29,463
59,336	**CURRENT ASSETS**		**65,869**
(7,488)	Short Term Creditors	19	(8,280)
(2,473)	Provision Liabilities payable in less than 1 year	20	(1,084)
(9,961)	**CURRENT LIABILITIES**		**(9,364)**
(1,729)	Provision Liabilities payable in more than 1 year	20	(3,707)
(136,209)	Long Term Borrowing	15	(136,209)
(45)	Other Long Term Liabilities	15	(12)
(374)	Capital External Grants/Contributions in Advance	30	(1,596)
(45,431)	Net Pensions Liability	35	(34,167)
(183,788)	**LONG TERM LIABILITIES**		**(175,691)**
214,623	**NET ASSETS**		**271,360**
51,353	Usable Reserves	21	**54,840**
163,270	Unusable Reserves	22	**216,520**
214,623	**TOTAL RESERVES**		**271,360**

CASH FLOW STATEMENT

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

2014/15 £000		Notes	2015/16 £000
(18,194)	Net (Surplus) or deficit on the provision of services		(25,475)
4,794	Adjust net (surplus) or deficit on the provision of services for noncash movements	23	7,737
3,243	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	23	5,145
(10,157)	**Net cash flows from Operating Activities**		**(12,593)**
5,005	Investing Activities	24	6,410
524	Financing Activities	25	34
(4,628)	**Net (increase) or decrease in cash and cash equivalents**		**(6,149)**
(18,686)	Cash and cash equivalents at the beginning of the reporting period		(23,314)
(23,314)	**Cash and cash equivalents at the end of the reporting period**		**(29,463)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

b. Accruals of Income and Expenditure

Revenue and capital transactions are accounted for on an accruals basis. This means that all income is recorded when the debt has been established rather that when the money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made.

Exceptions to the above rule include items paid for on an annual or periodic basis (e.g. subscriptions, insurance premiums, etc.) where the accounts still show an annual equivalent cost.

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

c. Cash and Cash Equivalents

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

d. Charges to Revenue for Non-current Assets

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

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

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

e. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the accounts at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Local Government Pension Scheme

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

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment and funding benefits in accordance with statutory provisions. The balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.

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

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

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

f. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the final Statement of Accounts is authorised for issue in September.

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

g. Financial Instruments

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

The Council took out £136.157m in PWLB fixed interest rate long term loans with varying maturities of between 41 and 50 years on the 28th March 2012 in order to fulfil its obligations under the new HRA self-financing regime. Although PWLB long term loans are carried in the balance sheet at amortised cost, the Council is required to disclose the fair value of these loans. This requires a calculation of the net present value of the cash flows that are scheduled to take place over the remaining life of each loan. The fair value of these loans will be different to the amortised cost if prevailing interest rates differ from those applicable to the loans when taken out. The introduction of IFRS13 requires that the fair value is calculated using two different interest rates, the PWLB redemption rate and the PWLB certainty rate. The Council's Treasury Management consultants, Capita Asset Services, has calculated the required fair values and the fair value of these PWLB loans at 31st March using the PWLB redemption rate is £192,676,266. The difference between this figure and the £136.157m carried in the balance sheet represents the additional interest that the Council will pay over the remaining terms of the loans against what would be paid if the loans had been taken out at 31st March 2016.However, the Council has a continuing ability to borrow from the PWLB at its certainty rate and on this basis the fair value of the £136.157m is £154,192,821. If the Council were to seek to repay these loans early then the PWLB would raise a penalty charge for early repayment of £56,519,266 making the exit price for these loans £192,676,266 i.e. the fair value using the redemption interest rate method. IFRS 13 requires disclosure of the valuation method by which the fair value is arrived at. There are three levels of inputs and in this instance Capita Asset Services has adopted a level 2 input basis i.e. "inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly".

Similarly, the Council's Certificate of Deposit investments have been revalued in the accounts to fair value at 31st March 2016 using prices supplied by its custodians, King & Shaxson Ltd. at 31st March 2016. As these prices directly relate to these investments within an active market it is considered that the prices supplied by King & Shaxson are on a Level 1 basis.

Loans and receivables are subsequently measured at their amortised cost. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any loans made by the Council at less than market rates are called "soft loans". It has been determined that the few "soft" loans that the Council has e.g. car loans to

employees or loans to private householders for disabled adaptations require no adjustment to the accounts as they are de-minimis.

h. 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.

i. Government Grants and Contributions

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

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

j. Heritage Assets

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

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

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

k. Intangible Assets

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

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

abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. The Intangible Assets with no finite lives within the Balance Sheet have been tested for impairment and no losses revealed.

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

l. 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.

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

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

n. Jointly Controlled Operations and Jointly Controlled Assets

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

o. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council has two arrangements of this nature as a depot has been leased by a contractor specifically to carry out repairs contracts relating to the Council's housing stock and in another instance a contractor employs a number of vans specifically on a WDC heating contract. These "embedded leases" haves been assessed as operating leases and accounted for accordingly.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance.

Operating Leases

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

The Council as Lessor

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

Operating Leases

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

added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

p. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Accounting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

q. Property, Plant and Equipment

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

Recognition

In 2015/16 the Council had a de-minimis limit of £20,000 in relation to capital expenditure on land and buildings and a de-minimis limit of £5,000 on plant or equipment. Expenditure above these limits on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure below the de-minimis limit or that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

Measurement

Assets are initially measured at cost, comprising

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2015/16 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 which under IFRS 13 is considered to be equal to fair value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. The Council records its Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) at historical cost.
- General Fund property values in the Balance Sheet are based on 1st April 2015 or 31st March 2016 valuations. In addition, an exercise was carried out using a representative sample of General Fund assets to ascertain whether the Balance Sheet value at 31 March 2016 still represented Fair Value when compared to the values arising from the 1st April 2015 revaluation exercise carried out by Carter Jonas LLP where all General Fund property assets were revalued. When the results of the exercise were extrapolated over the remainder of the General Fund assets the resultant increase was considered to be immaterial and therefore their balance sheet values have not been adjusted.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. During 2015/16, such charges were debited to the Comprehensive Income and Expenditure in respect of various properties notably the land values relating to Town Hall (£1.365m), Royal Pump Rooms (£0.795m) and Royal Spa Centre (£0.343m). The value of the Crematorium buildings was also reduced by £0.420m following the major refurbishment.

Impairment

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

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

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

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

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

The Council's housing stock is valued annually on an Existing Use – Social Housing (EUV-SH) basis which is defined as the value that a property, if sold, would sell for assuming that it continued to be used for social housing purposes.

Depreciation

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

Depreciation is calculated on the following bases:

Asset Type	**Depreciation Method**	**Period of Years**
General Fund Buildings	Straight Line	5 to 55 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 100 years
Heritage Assets – Buildings	Straight Line	Up to 80 years
Surplus Assets	Straight Line	5 to 10 years
Vehicles, Plant, Furniture and Equipment	Straight Line	3 to 21 years
Council Houses	Straight Line	Up to 90 years
HRA Shops, Community Centres etc.	Straight Line	25 to 55 years
HRA Garages	Straight Line	5 years

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

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

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

The Council revalues its General Fund assets in entirety once every five years and thereafter 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. The General Fund assets were revalued at 1st April 2015 and during this exercise all assets with a Current Net Book Value of £500,000 or more were assessed for component depreciation with the result that a number of Car Parks, the Town Hall,, Riverside House, Royal Spa Centre, Crematorium, Pump Rooms, the four main Leisure

Centres and the Victoria Park Bowls Pavilion are now subject to depreciation on their individual components:-

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

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. Depreciation is not charged on Assets Held for Sale. In respect of the HRA, those council houses in the process of being sold at 31st March 2016 have been transferred to the HRA Assets Held For sale account.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale.

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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement thus calculating the gain or loss on the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

r. Provisions and Contingent Liabilities

Provisions

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

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

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

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

Contingent Liabilities

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

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

s. Reserves

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

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

t. Revenue Expenditure Funded From Capital Under Statute

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

u. 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.

v. Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of 7 Certificate of Deposit investments which are valued on a mid-price basis at 31st March 2016.

w. 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.

x. Agency Income and Expenditure

The collection of council tax and Business Rates is treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances 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 2015/16 the following accounting policy changes that need to be reported relate to:

IAS1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The "Telling the Story" review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRS cycles, IFRS11 Joint Arrangements, IAS16 Property, Plant and Equipment and IAS38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The 2016/17 Accounting Code of Practice introduced a change in accounting policy for those Councils with Transport Infrastructure Assets. This mainly affects County Councils and advice has been received from CIPFA that as this Council has no integrated transport infrastructure the requirements of the Code of Practice will not apply to this Council.

The Code requires implementation from 1 April 2016 and there is, therefore, no impact on the 2015/16 Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

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

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 the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £236k for every year that the useful lives had to be reduced.
Provisions	The Council has made provisions for insurance cover in respect of outstanding claims from the public and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31 March 2016 where such excesses have been negotiated when agreeing premiums. A provision has also been established to cover the possible refund of personal search fees in respect of local land charges. Following the introduction of the retention of business rates scheme new provisions have been created to provide for the potential successful appeals against rateable values.	An increase over the forthcoming year of 10% in settlements would have the effect of adding £108,400 to the provisions needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages,	The Pensions actuary will set the employer's pension contribution rates to ensure that pension liabilities are met.

	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.	
Arrears	At 31 March 2016, the Council had a balance of arrears of Housing Rents, Council Tax and other sundry debtors for £4.80m. A review of the above suggested that an impairment of doubtful debts of 45.6% (£2.19m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.19m to be set aside as an allowance.

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

5. Events After the Reporting Period

The Statement of Accounts was re-authorised for issue by the Head of Finance on 13 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and

expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve along with an adjustment to make the overall transfer for dwellings equal to the Major Repairs Allowance set out in the Self Financing determination. This reserve can be used to fund capital expenditure to help maintain or improve HRA assets, or repay HRA debt. Any balance on this account shows the amount not applied by year end that is available for future years.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES TO THE ACCOUNTS

2015/16	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(6,472)	(1,138)		(2,626)		10,236
Revaluation gains on Property Plant and Equipment	3,049	19,499				(22,548)
Movements in the market value of Investment Properties	2,918	-				(2,918)
Amortisation of intangible assets	(2)	-				2
Capital grants and contributions applied	570	-				(570)
Movement in revaluation and new Donated Assets	290					(290)
Revenue expenditure funded from capital under statute	(1,727)	(49)				1,776
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	(505)	(3,459)				3,964
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against General Fund and HRA balances	1,457	6,561				(8,018)
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-			85	(85)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	482	4,008	(4,490)			-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,141			(2,141)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(977)	-	977			

NOTES TO THE ACCOUNTS

2015/16	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	3,260		(3,260)		
Use of the Major Repairs Reserve to finance new capital expenditure	-	-		3,874		(3,874)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(4,259)	(510)				4,769
Employer's pensions contributions and direct payments to pensioners payable in the year	1,973	186				(2,159)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	133	-				(133)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	(8)				1
Total Adjustments	**(3,063)**	**28,350**	**(1,372)**	**(2,012)**	**85**	**(21,988)**

NOTES TO THE ACCOUNTS

2014/15	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(3,802)	(2,952)		-		6,754
Revaluation gains on Property Plant and Equipment	216	16,110				(16,326)
Movements in the market value of Investment Properties	(465)	-				465
Amortisation of intangible assets	(9)	-				9
Capital grants and contributions applied	1,422	-				(1,422)
Movement in revaluation and new Donated Assets	9					(9)
Revenue expenditure funded from capital under statute	(1,038)	(81)				1,119
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(564)	(3,090)				3,654
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against General Fund and HRA balances	2,036	1,256				(3,292)
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	26	-			(28)	2
Application of grants to capital financing transferred to the Capital Adjustment Account	(823)	-			823	-

NOTES TO THE ACCOUNTS

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

NOTES TO THE ACCOUNTS

2014/15	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,660)	-				2,660
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	1				2
Total Adjustments	**(7,862)**	**19,047**	**67**	**(1,835)**	**795**	**(10,212)**

NOTES TO THE ACCOUNTS

7. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
General Fund:							
Art Fund Reserve	58	-	6	64	-	3	67
Art Gallery Gift Reserve	57	-	-	57	-	-	57
Biodiversity Off Setting Reserve	2	(2)	-	-	-	-	-
Building Control Reserve	274	(25)	44	293	(44)	-	249
Business Rate Retention Volatility Res	842	(823)	3,383	3,402	(49)	-	3,353
Capital Investment Reserve	4,297	(1,251)	505	3,551	(1,325)	821	3,047
Car Parks Repairs & Maintenance Reserve	215	(18)	22	219	-	286	505
Community Forums Reserve	160	(24)	-	136	(17)	-	119
Corporate Assets Reserve	561	-	777	1,338	(66)	570	1,842
Covent Garden Multi Storey Reserve	-	-	-	-	-	900	900
Earmarked Balances Reserve	488	(488)	639	639	(639)	381	381
Election Expenses	65	-	30	95	(80)	-	15
Energy Management	93	-	5	98	-	5	103
Enterprise Projects Reserve	-	-	21	21	-	38	59
Equipment Renewals Reserve	1,432	(976)	-	456	-	374	830
G M Commuted Sums	333	(51)	-	282	(78)	334	538
GF Early Retirements Reserve	210	(125)	-	85	(82)	100	103
Gym Equipment Replacement Reserve	123	(59)	30	94	(1)	30	123
Hill Close Gardens Reserve	-	-	-	-	-	80	80
ICT Replacement Reserve	-	(92)	1,121	1,029	(167)	3	865
Insurance Reserve	322	-	-	322	-	-	322
Local Plan Delivery Reserve	250	(13)	-	237	(84)	-	153
Planning Appeal Reserve	505	(321)	330	514	(154)	204	564
Public Amenity Reserve	678	(140)	300	838	(90)	-	748
Public Open Space Planning Gain Reserve	195	(4)	159	350	-	576	926
Rent Bond Scheme Reserve	22	-	-	22	-	-	22
Revenue Grants / Contributions Received in Advance	846	(174)	180	852	(125)	47	774
Right to Bid Reserve	12	-	8	20	-	-	20
Right to Challenge Reserve	17	-	9	26	-	-	26
Riverside House Maintenance Reserve	-	-	-	-	-	30	30
Services Transformation Reserve	2,316	(414)	-	1,902	(716)	200	1,386
St Marys Lands/Forbes Estate Community	44	(44)	-	-	-	-	-
Tourism Reserve	61	(17)	-	44	(5)	-	39
TOTAL GENERAL FUND	**14,478**	**(5,061)**	**7,569**	**16,986**	**(3,722)**	**4,982**	**18,246**
HRA:							
HRA Capital Investment Reserve	17,731	(1,131)	4,941	21,541	(6,204)	5,388	20,725
HRA Early Retirements Reserve	50	(258)	317	109	(3)	8	114
HRA Rev Grants/Contribs In Advance Res	10	-	-	10	-	-	10
TOTAL HRA	**17,791**	**(1,389)**	**5,258**	**21,660**	**(6,207)**	**5,396**	**20,849**
TOTAL EARMARKED RESERVES	**32,269**	**(6,450)**	**12,827**	**38,646**	**(9,929)**	**10,378**	**39,095**

The purpose of the significant earmarked reserves are:

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

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

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

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

Covent Garden Multi Storey Car Park Reserve: Will be used to smooth the lost car park income from Covent Garden Car Park when it closes for redevelopment as part of the New Offices project. Reserve will also finance initial borrowing costs for the project.

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

8. Other Operating Income and Expenditure

Gross Expenditure 2014/15 £000	Gross Income 2014/15 £000	Net Expenditure 2014/15 £000		Gross Expenditure 2015/16 £000	Gross Income 2015/16 £000	Net Expenditure 2015/16 £000
1,208	-	**1,208**	Parish Council Precepts	1,233	-	**1,233**
854	-	**854**	Payments to Govt. Housing Capital Receipts Pool	978	-	**978**
1,283	-	**1,283**	(Gain) or loss on the disposal of non-current assets	-	(527)	**(527)**
3,345	**-**	**3,345**	**Total**	**2,211**	**(527)**	**1,684**

9. Financing and Investment Income and Expenditure

Gross Expenditure 2014/15 £000	Gross Income 2014/15 £000	Net Expenditure 2014/15 £000		Gross Expenditure 2015/16 £000	Gross Income 2015/16 £000	Net Expenditure 2015/16 £000
4,773	-	**4,773**	Interest Payable and similar charges	4,767	-	**4,767**
1,456	-	**1,456**	Net Interest on the net defined benefit liability	1,471	-	**1,471**
-	(439)	**(439)**	Interest receivable and similar income	-	(528)	**(528)**
884	(556)	**328**	Income and expenditure in relation to investment properties and changes in their fair value	367	(3,454)	**(3,087)**
7,113	**(995)**	**6,118**	**Total**	**6,605**	**(3,982)**	**2,623**

10. Taxation and Non Specific Grant Income and Expenditure

Gross Income 2014/15 £000		Gross Income 2015/16 £000
(8,589)	Council Tax income	**(8,714)**
(2,833)	Non-domestic rates income and expenditure	**(2,769)**
(5,684)	Non-ringfenced Government Grants	**(5,385)**
(1,139)	Capital Grants and Contributions	**(486)**
(18,245)	**Total**	**(17,354)**

NOTES TO THE ACCOUNTS

11. Property, Plant and Equipment

Movements on Balances

Movements in 2015/16	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2015	262,499	55,104	7,730	2,306	7,037	1,816	2,453	**338,945**
Additions	6,347	608	283	97	-	-	5,672	**13,007**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	355	14,610	-	-	-	69	-	**15,034**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	16,109	(1,227)	-	-	-	(47)	-	**14,835**
Derecognition - disposals	(2,666)	(52)	-	-	-	(780)	-	**(3,498)**
Assets reclassified (to) / from Other Accounts	241	556	-	-	-	-	(1,303)	**(506)**
At 31 March 2016	282,885	69,599	8,013	2,403	7,037	1,058	6,822	377,817
Accumulated Depreciation and Impairment								
At 1 April 2015	-	(1,198)	(5,642)	(195)	(337)	(315)	-	**(7,687)**
Depreciation charge for 2015/16	(2,639)	(2,259)	(581)	(58)	(46)	(28)	-	**(5,611)**
Depreciation written out to the Revaluation Reserve	13	2,280	-	-	-	44	-	**2,337**
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,626	423	-	-	-	-	-	**3,049**
At 31 March 2016	-	(754)	(6,223)	(253)	(383)	(299)	-	(7,912)
Net Book Value								
31 March 2016	**282,885**	**68,845**	**1,790**	**2,150**	**6,654**	**759**	**6,822**	**369,905**
31 March 2015	**262,499**	**53,906**	**2,088**	**2,111**	**6,700**	**1,501**	**2,453**	**331,258**

NOTES TO THE ACCOUNTS

Movements on Balances

Movements in 2014/15	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2014	245,791	54,715	7,300	1,247	7,006	2,613	1,100	**319,772**
Additions	4,403	416	430	392	31	1,005	2,298	**8,975**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	12	251	-	-	-	-	-	**263**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	13,666	(556)	-	-	-	-	-	**13,110**
Derecognition - disposals	(1,132)	-	-	-	-	(1,802)	-	**(2,934)**
Assets reclassified (to) / from Other Accounts	(241)	278	-	667		-	(945)	**(241)**
At 31 March 2015	262,499	55,104	7,730	2,306	7,037	1,816	2,453	338,945
Accumulated Depreciation and Impairment								
At 1 April 2014	-	(2,855)	(5,087)	(163)	(290)	(230)	-	**(8,625)**
Depreciation charge for 2014/15	(2,444)	(2,230)	(555)	(32)	(47)	(100)	-	**(5,408)**
Depreciation written out to the Revaluation Reserve	12	3,468	-	-	-	15	-	**3,495**
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,432	419	-	-	-	-	-	**2,851**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**
At 31 March 2015	-	(1,198)	(5,642)	(195)	(337)	(315)	-	(7,687)
Net Book Value								
31 March 2015	**262,499**	**53,906**	**2,088**	**2,111**	**6,700**	**1,501**	**2,453**	**331,258**
31 March 2014	**245,791**	**51,860**	**2,213**	**1,084**	**6,716**	**2,383**	**1,100**	**311,147**

NOTES TO THE ACCOUNTS

Capital Commitments and Planned Works 2016/17

	£000
General Fund:	
Fen End - City Deal	559
West Midlands Reserve & Cadet Force - new building	400
Play Area Improvement Programme	389
Royal Spa Centre Operational Works	350
Jubilee House Phase 2	331
Bishops Tachbrook Community Centre	316
ICT Infrastructure Replacement	283
Leisure Options	266
Housing Investment Programme:	
Housing New Build / Reprovision	7,572
Council House Improvements / Renewal	5,628
Private Sector Housing - Grants and Loans	655

Revaluations

The values of the Council Dwellings and Other HRA Property (shops, offices, community centres, garages, surgery, hostel and land) are based on valuations at 1 April 2016 following a full revaluation exercise including inspection of "beacon" homes by Carter Jonas LLP. The valuation was undertaken by Mr. Charles Mason MRICS and Mr David Ambrose MRICS, both of Carter Jonas. During 2015/16 all of the General Fund Property Assets were valued as at 1st April 2015. Again, the valuations were undertaken by Mr. Charles Mason MRICS and Mr David Ambrose MRICS.

The values at 31st March 2016 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.

Carter Jonas has also undertaken a review of a representative selection of General Fund property assets in order to ascertain whether the carrying values of the General Fund property assets represent fair value at 31st March 2016. The carrying values in the Balance Sheet for those assets in the representative sample have been updated to 31st March 2016 and it is considered that as a result of the review the carrying values of the rest of the assets represent fair value. The table below shows the valuation basis for each asset class within the Balance Sheet:-

Asset Class	**Valuation Basis**
Operational Property e.g. Car Parks and Housing Stock	Existing Use Value Existing Use Value – Social Housing Depreciated Replacement Cost (MEA)
Non Operational Property e.g. Surplus Assets	Open Market Value
Investment Properties	Open Market Value
Community Assets	Historic Cost
Infrastructure Assets	Historic Cost
Equipment	Historic Cost
Assets Under Construction	Historic Cost

All of the Council's Surplus Property Assets were revalued by Carter Jonas LLP in 2015/16 and as such it is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. For those properties where the new value was set with reference to rent reviews relating to that particular property it is considered that this equates to a level 1 input. The rest of the properties were revalued using direct

observation of the passing rents on similar properties within the local property market and this equates to a level 2 input.

	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	-	-	1,778	2,150	6,654	-	6,822	17,404
Valued at fair value as at:								
- 2015/16	282,885	68,845	-	-	-	318	-	352,048
- 2013/14	-	-	-	-	-	441	-	441
Total Cost or Valuation	**282,885**	**68,845**	**1,778**	**2,150**	**6,654**	**759**	**6,822**	**369,893**

It should be noted that the total figure in the above table does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £12,000. This difference relates to the balance outstanding at 31 March 2016 on the Photocopiers and Dog Wardens Van Finance leases (see note 33) which is not included in the table above.

12. Heritage Assets

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

	Decorative Arts Collection £000	Visual Arts Collection £000	Other £000	Total Assets £000
Cost or Valuation				
1 April 2014	356	7,815	810	8,981
Additions	-	8	2	10
Revaluations	(26)	(1,159)	116	(1,069)
Depreciation	-	-	(3)	(3)
31 March 2015	330	6,664	925	**7,919**
Cost or Valuation				
1 April 2015	330	6,664	925	7,919
Additions	1	259	6	266
Revaluations	-	-	73	73
Depreciation	-	-	(3)	(3)
31 March 2016	331	6,923	1,001	**8,255**

Decorative Arts & Visual Arts Collections

The majority of the Council's collections of Decorative Arts (ceramics, porcelain, glass and other artefacts of a similar nature) and Visual Arts (paintings and drawings) were revalued by Tim Ritchie & Associates in September 2014.Those items not externally valued due to their low intrinsic worth were assigned an internal nominal value of £50. During 2015/16, items amounting to £259,025 have been added to the Visual Arts collection. The two main acquisitions being a painting, "The Temptation of St Anthony" by David Teniers the younger valued at £60,000 and another painting "The Interior of the Kitchen at Rectory Farm, Ewell" by William Holman Hunt valued at £67,500. Those items acquired in 2015/16

not of a low intrinsic value were valued by Tim Ritchie & Associates and the policy is to revalue the collections every 5 years with the next valuation due in September 2019.

Other
This comprises the remainder of the Art Gallery and Museum's collections (Archaeology, Ethnography, Numismatics, Pictorial and Social History) and also the Abbey Fields Barn. In the case of the Art Gallery and Museum's collections some articles were valued externally as part of the September 2014 revaluation exercise referred to above but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff. In the case of the Social History collection, new assets valued at £6,150 were acquired by donation and existing donated assets were revalued upwards by £1,075 in 2015/16. Artefacts in the Archaeology collection were externally revalued upwards by £29,950 in 2015/16. The revaluation was carried out by Tim Ritchie & Associates.

The Abbey Fields Barn was valued by Carter Jonas at 1/4/2015 at £286,000 on a depreciated replacement cost basis.

Heritage Assets: Summary of Transactions

	2014/15 £000	2015/16 £000
Cost of Addditions of Heritage Assets:		
Donations:		
Visual Arts	8	259
Decorative Arts	-	1
Social History etc.	2	6
Total cost of Additions	10	266
Revaluation of Heritage Assets:		
Decorative Arts	(26)	-
Visual Arts	(1,159)	-
Abbey Fields Barn	-	42
Social History etc.	116	31
Total Revaluations	(1,069)	73

Heritage Assets of Particular Importance
In the Art Collection there are 6 significant exhibits of donated assets. These paintings are, "St Peters Penitence" by P. Champaigne valued at £300,000, "The Prodigal Son" by Abraham Bloemaert valued at £200,000, "The Mission Room" by L.S. Lowry valued at £700,000, 'Tulips' by Leslie George Hunter valued at £500,000, 'Cookham Rise' by Sir Stanley Spencer valued at £250,000 and finally 'The Critics' by Henry Scott Tuke valued at £200,000. In addition, there is one other donated painting worth £110,000. In all cases, these donated assets have no conditions outstanding. Indeed, it is a condition of accepting donated assets that there are no conditions attached to the offer. Amongst the purchased exhibits there is a painting "Self Portrait By Candlelight" by Schalcken worth £200,000 and a sculpture by Catherine Long worth £270,000. Full details of these and all of the other artefacts in the various collections together with the policies governing the care and management of the collections can be found by visiting the Leamington Spa Art Gallery & Museum's Collections website www.lsagmcollections.org.uk and also through Windows on Warwickshire.

NOTES TO THE ACCOUNTS

13. Investment Properties

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

	2015/16	2014/15
	£000	£000
Rental income from investment property	**536**	556
Direct operating expenses arising from investment property	**(367)**	(419)
Net gain / (loss)	**169**	137

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:

	2015/16	2014/15
	£000	£000
Balance at start of the year	**8,942**	9,535
Additions:		
- Subsequent expenditure	**8**	119
Disposals	**(453)**	(247)
Net gains / (losses) from fair value adjustments	**2,918**	(465)
Transfers:		
- To / from Property, Plant and Equipment	**62**	-
Balance at end of year	**11,477**	8,942

All of the Council's Investment Properties were revalued by Carter Jonas LLP in 2015/16 and as such it is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. For those properties where the new value was set with reference to rent reviews relating to that particular property it is considered that this equates to a level 1 input. The rest of the properties were revalued using direct observation of the passing rents on similar properties within the local property market and this equates to a level 2 input.

14. Intangible Assets

The Council's intangible assets consist of purchased licences and software.

Wherever appropriate, software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The remaining useful lives at 31st March 2016 assigned to the major software suites and licences used by the Council are:

4 years	VDI Project Software	Amount Amortised	£962
1 year	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.

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

	2015/16			2014/15		
	General Fund £000	**HRA £000**	**Total £000**	General Fund £000	HRA £000	Total £000
Balance at start of year:			-			-
- Gross carrying amount	873	23	896	873	23	896
- Accumulated amortisation	(847)	-	(847)	(838)	-	(838)
Net carrying amount at start of year	**26**	**23**	**49**	35	23	58
Amortisation for the period	(2)	-	(2)	(9)	-	(9)
Net carrying amount at end of year	**24**	**23**	**47**	26	23	49
Comprising:						
- Gross carrying amount	873	23	896	873	23	896
- Accumulated amortisation	(849)	-	(849)	(847)	-	(847)
	24	**23**	**47**	26	23	49

15. Financial Instruments

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

	Long Term		Current	
	31 March 2016 £000	**31 March 2015 £000**	**31 March 2016 £000**	**31 March 2015 £000**
Investments:				
Loans and receivables	-	1	44,565	43,464
Available for sale financial assets	-	-	16,259	12,076
Total Investments	**-**	**1**	**60,824**	**55,540**
Debtors:				
Loans and receivables	855	867	5,599	4,728
Total Debtors	**855**	**867**	**5,599**	**4,728**
Borrowings:				
Financial Liabilities at amortised cost	(136,166)	(136,169)	(55)	(85)
Total Borrowings	**(136,166)**	**(136,169)**	**(55)**	**(85)**
Creditors:				
Financial Liabilities at amortised cost	-	-	(11,810)	(9,472)
Total Creditors	**-**	**-**	**(11,810)**	**(9,472)**

Income, Expense, Gains and Losses

	2015/16				2014/15			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	(4,767)	-	-	(4,767)	(4,773)	-	-	(4,773)
Total expense in Surplus or Deficit on the Provision of Services	**(4,767)**	**-**	**-**	**(4,767)**	**(4,773)**	**-**	**-**	**(4,773)**
Interest income	-	469	59	528	-	364	76	440
Total income in Surplus or Deficit on the Provision of Services	**-**	**469**	**59**	**528**	**-**	**364**	**76**	**440**
Net gain / (loss) for the year	**(4,767)**	**469**	**59**	**(4,239)**	**(4,773)**	**364**	**76**	**(4,333)**

Fair Values of Assets and Liabilities

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

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

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

16. Assets Held for Sale

	Current	
	2015/16	2014/15
	£000	£000
Balance outstanding at start of year	**363**	748
Assets newly classified as held for sale:		
- Property, Plant and Equipment	**443**	242
Revaluation gains	**353**	121
Assets sold	**(363)**	(748)
Balance outstanding at year-end	**796**	363

NOTES TO THE ACCOUNTS

17. Debtors

	31 March 2016 £000	31 March 2015 £000
Debtors:		
Central Government Bodies	**1,090**	1,086
Other Local Authorities	**515**	489
NHS Bodies	**2**	2
Public Corporations and Trading Funds	**-**	6
Other Entities and Individuals	**4,804**	3,961
TOTAL DEBTORS	**6,411**	5,544
Bad Debt Provisions:		
Council Tax Payers	**(93)**	(82)
Business Rate Payers	**(200)**	(200)
Housing Tenants	**(883)**	(914)
Housing Benefits - Rent Allowances	**(815)**	(822)
Other Debtors	**(196)**	(132)
TOTAL BAD DEBT PROVISIONS	**(2,187)**	(2,150)
NET SHORT TERM DEBTORS	**4,224**	**3,394**

18. Cash and Cash Equivalents

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

	31 March 2016 £000	31 March 2015 £000
Bank current accounts	**558**	361
Short term deposits with Money Market Funds	**28,905**	22,953
Total Cash and Cash Equivalents	**29,463**	23,314

19. Creditors

	31 March 2016 £000	31 March 2015 £000
Central Government Bodies	**1,249**	1,063
Other Local Authorities	**141**	596
Other Entities and Individuals	**6,890**	5,829
TOTAL CREDITORS	**8,280**	7,488

NOTES TO THE ACCOUNTS

20. Provisions

	Land Charges £000	Subsidence Compensation £000	Business Rates Appeals £000	Insurances General Fund £000	Insurances HRA £000	Total £000
Provisions > 1 year:						
Balance at 1 April 2015	**-**	**-**	**1,320**	**238**	**171**	**1,729**
Additional provisions made in 2015/16	-	-	1,702	66	55	**1,823**
Amounts payable < 1 year transferred to short term creditors	-	-	253	(52)	(46)	**155**
Balance at 31 March 2016	**-**	**-**	**3,275**	**252**	**180**	**3,707**
Provisions < 1 year:						
Balance at 1 April 2016	**198**	**117**	**2,086**	**36**	**36**	**2,473**
Additional provisions made in 2015/16	128	-	-	-	-	**128**
Amounts used in 2015/16	(140)	-	(1,129)	(50)	(43)	**(1,362)**
Amounts payable < 1 year transferred from L/T Provision	-	-	(253)	52	46	**(155)**
Balance at 31 March 2016	**186**	**117**	**704**	**38**	**39**	**1,084**

Business Rates Appeals

The appeals are complex and can take several years to be decided. The total level of the provision for appeals is £9.9m. The Council's share is included in the above table. Further details can be found in the Collection Fund section of the accounts.

21. Usable Reserves

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

31 March 2015 £000		31 March 2016 £000
2,104	General Fund Revenue Balance	**1,810**
1,353	Housing Revenue Account Balance	**1,386**
2,599	Major Repairs Reserve	**4,611**
5,584	Usable Capital Receipts Reserve	**6,956**
1,067	External Capital Grants / Contributions Unapplied	**982**
38,646	Earmarked Reserves	**39,095**
51,353	**TOTAL USABLE RESERVES**	**54,840**

NOTES TO THE ACCOUNTS

22. Unusable Reserves

31 March 2015 £000		31 March 2016 £000
18,763	Revaluation Reserve	**35,432**
788	Deferred Capital Receipts Reserve	**788**
76	Available For Sale Financial Instruments Reserve	**59**
193,037	Capital Adjustment Account	**218,238**
(13)	Financial Instruments Adjustment Account	**(13)**
(45,431)	Pensions Reserve	**(34,167)**
(3,668)	Collection Fund Adjustment Account	**(3,535)**
(282)	Accumulated Absences Account	**(282)**
163,270	**TOTAL UNUSABLE RESERVES**	**216,520**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. The balance is reduced when assets with accumulated gains are:

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

2014/15 £000		2015/16 £000	£000
15,598	**Balance at 1 April**		**18,763**
4,904	Upward revaluation of assets	17,411	
(1,207)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(6)	
3,697	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		17,405
1	Recognition of Heritage Assets on Donation		-
(533)	Difference between fair value depreciation and historical cost depreciation	(736)	
(532)	Amount written off to the Capital Adjustment Account		(736)
18,763	**Balance at 31 March**		**35,432**

Deferred Capital Receipts Reserve

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

2014/15 £000		**2015/16 £000**
224	**Balance at 1 April**	**788**
564	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	-
788	**Balance at 31 March**	**788**

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. The balance is reduced when investments with accumulated gains are:

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

2014/15 £000		**2015/16 £000**	**£000**
11	**Balance at 1 April**		**76**
76	Upward revaluation of investments	59	
(11)	Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	(76)	
	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		(17)
76	**Balance at 31 March**		**59**

NOTES TO THE ACCOUNTS

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account contains accumulated gains and losses on Investment Properties and Assets Held for Sale and in the case of Heritage Assets the gains on initial recognition of donated Heritage Assets with no outstanding conditions.

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

NOTES TO THE ACCOUNTS

2014/15 £000		2015/16 £000	£000
178,256	**Balance at 1 April (credit)** **Note: figures in brackets are debits**		**193,037**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
9,654	- Charges for depreciation and impairment of non-current assets	12,279	
8	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	353	
(9)	- Amortisation of intangible assets	(2)	
(1,118)	- Revenue expenditure funded from capital under statute	(1,776)	
(3,929)	- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(4,317)	
4,606			6,537
533	Difference between fair value depreciation and historical cost depreciation		736
5,139	Net written out amount of the cost of non-current assets consumed in the year		7,273
	Capital Financing applied in the year:		
1,166	- Use of the Capital Receipts Reserve to finance new capital expenditure	2,141	
4,188	- Use of the Major Repairs Reserve to finance new capital expenditure	3,874	
1,753	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	570	
490	- Application of grants to capital financing from the Capital Grants Unapplied Account	84	
2,469	- Capital expenditure charged against the General Fund and HRA balances	8,018	
10,066			14,687
32	Minimum Revenue Provision		33
(465)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,918
9	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		290
193,037	**Balance at 31 March**		**218,238**

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

2014/15 £000		**2015/16 £000**
(13)	**Balance at 1 April**	**(13)**
(13)	**Balance at 31 March**	**(13)**

Pensions Reserve

2014/15 £000		**2015/16 £000**
(33,651)	**Balance at 1 April**	**(45,431)**
(9,841)	Remeasurements of the net defined benefit liability	13,874
(3,999)	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	(4,769)
2,060	Employer's pensions contributions and direct payments to pensions payable in the year	2,159
(45,431)	**Balance at 31 March**	**(34,167)**

Collection Fund Adjustment Account

Council Tax 2014/15 £000	NNDR 2014/15 £000	Total 2014/15 £000		**Council Tax 2015/16 £000**	**NNDR 2015/16 £000**	**Total 2015/16 £000**
135	(1,143)	(1,008)	**Balance at 1 April**	**55**	**(3,723)**	**(3,668)**
(80)	(2,580)	(2,660)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	16	117	**133**
55	(3,723)	(3,668)	**Balance at 31 March**	**71**	**(3,606)**	**(3,535)**

Accumulated Absences Account

2014/15 £000		2015/16 £000	2015/16 £000
(280)	**Balance at 1 April**		**(282)**
280	Settlement or cancellation of accrual made at the end of the preceding year	282	
(282)	Amounts accrued at the end of the current year	(282)	
(2)	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		-
(282)	**Balance at 31 March**		**(282)**

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(369)	Interest received	**(541)**
4,771	Interest paid	**4,766**
3	Interest Element of finance lease payments	**2**

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

2014/15 £000		2015/16 £000
(5,411)	Depreciation	**(5,617)**
14,951	Impairment and revaluations in consolidated income and expenditure	**17,896**
(9)	Amortisation of intangible assets	**(2)**
2,137	(Increase) / decrease in creditors	**(949)**
(475)	Increase / (decrease) in debtors	**914**
147	(Increase) / decrease in provision for bad debt	**(37)**
(5)	Increase / (decrease) in inventories	**(14)**
(1,939)	Movement in pension liability	**(2,610)**
(3,090)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	**(3,964)**
(1,512)	Other non-cash items charged to the net surplus or deficit on the provision of services	**2,120**
4,794		**7,737**

NOTES TO THE ACCOUNTS

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

2014/15 £000		2015/16 £000
2,104	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**4,490**
1,139	Any other items for which the cash effects are investing or financing cash flows	**655**
3,243		**5,145**

24. Cash Flow Statement – Investing Activities

2014/15 £000		2015/16 £000
9,836	Purchase of property, plant and equipment, investment property and intangible assets	13,172
21,000	Purchase of short-term and long-term investments	33,200
(2,104)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(4,490)
(23,000)	Proceeds from the sale of short-term and long-term investments	(34,000)
(727)	Other receipts from investing activities	(1,473)
5,005	**Net cash flows from investing activities**	**6,410**

25. Cash Flow Statement – Financing Activities

2014/15 £000		2015/16 £000
492	Other receipts from financing activities	1
32	Cash payments for the reduction of the outstanding liabilities relating to finance leases	33
524	**Net cash flows from financing activities**	**34**

NOTES TO THE ACCOUNTS

26. Amounts Reported for Resource Allocation Decisions

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

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

NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2015/16	CULTURE £000	DEVELOPMENT £000	FINANCE £000	HEALTH & COMMUNITY PROTECTION £000	HOUSING & PROPERTY G. FUND £000	NEIGHBOURHOOD £000	STRATEGIC LEADERSHIP £000	HOUSING REVENUE ACCOUNT £000	TOTAL £000
Government Grants	-	(193)	(31,252)	(1)	(1)	-	(11)	-	(31,458)
Other Grants and Contributions	(34)	(234)	(75)	(219)	(992)	(1,511)	(47)	(526)	(3,638)
Sales	(175)	(14)	-	-	-	(1)	(2)	-	(192)
Other Income	(10)	(178)	(170)	(52)	(2)	(540)	(478)	(110)	(1,540)
Fees and Charges	(3,124)	(2,219)	(382)	(366)	(86)	(4,429)	(54)	(707)	(11,367)
Rents	(371)	(828)	-	-	(186)	(71)	-	(26,727)	(28,183)
Recharges	(1,652)	(563)	(1,584)	(1,799)	(2,184)	(2,605)	(4,164)	(2,945)	(17,496)
Total Income	**(5,366)**	**(4,229)**	**(33,463)**	**(2,437)**	**(3,451)**	**(9,157)**	**(4,756)**	**(31,015)**	**(93,874)**
Employees	3,032	2,455	2,201	1,773	1,585	2,204	3,057	2,313	18,620
Premises	1,625	341	14	356	519	1,361	75	7,286	11,577
Transport	9	83	8	42	40	32	14	87	315
Supplies and Services	1,151	800	603	923	833	1,113	1,272	725	7,420
Third Party Payments	344	618	107	103	189	4,842	205	673	7,081
Transfer Payments	-	-	30,430	-	-	-	-	-	30,430
Support Services	2,191	1,357	2,009	1,484	1,343	2,482	1,615	3,854	16,335
Capital Financing Charges	2,974	39	101	748	(437)	1,639	121	(15,686)	(10,501)
Total Expenditure	**11,326**	**5,693**	**35,473**	**5,429**	**4,072**	**13,673**	**6,359**	**(748)**	**81,277**
Surplus or deficit on the provision of services	**5,960**	**1,464**	**2,010**	**2,992**	**621**	**4,516**	**1,603**	**(31,763)**	**(12,597)**

NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2014/15	CULTURE £000	DEVELOPMENT £000	FINANCE £000	HEALTH & COMMUNITY PROTECTION £000	HOUSING & PROPERTY G. FUND £000	NEIGHBOURHOOD £000	STRATEGIC LEADERSHIP £000	HOUSING REVENUE ACCOUNT £000	TOTAL £000
Government Grants	-	(68)	(30,956)	(40)	(312)	-	(44)	-	(31,420)
Other Grants and Contributions	(39)	(97)	(76)	(227)	(611)	(917)	(5)	(502)	(2,474)
Agency Services	-	-	-	-	-	(469)	-	-	(469)
Sales	(164)	(16)	-	(1)	-	(14)	(2)	-	(197)
Other Income	(10)	(96)	(22)	(64)	(11)	(486)	(294)	(193)	(1,176)
Fees and Charges	(2,936)	(1,598)	(441)	(379)	(52)	(5,381)	(41)	(802)	(11,630)
Rents	(278)	(779)	-	(15)	(144)	(67)	-	(26,036)	(27,319)
Recharges	(1,299)	(603)	(1,527)	(1,946)	(1,556)	(2,732)	(4,134)	(172)	(13,969)
Total Income	**(4,726)**	**(3,257)**	**(33,022)**	**(2,672)**	**(2,686)**	**(10,066)**	**(4,520)**	**(27,705)**	**(88,654)**
Employees	2,792	2,021	2,349	1,708	1,525	2,289	2,723	2,310	17,717
Premises	1,767	340	3	492	342	1,190	36	6,248	10,418
Transport	11	52	13	50	43	33	23	92	317
Supplies and Services	1,187	539	776	933	754	1,139	1,222	811	7,361
Third Party Payments	139	835	148	69	111	6,226	205	667	8,400
Transfer Payments	-	-	29,665	-	-	-	-	-	29,665
Support Services	1,763	1,510	1,852	1,384	1,147	2,478	1,653	1,854	13,641
Capital Financing Charges	2,109	75	60	337	957	1,007	120	(13,079)	(8,414)
Total Expenditure	**9,768**	**5,372**	**34,866**	**4,973**	**4,879**	**14,362**	**5,982**	**(1,097)**	**79,105**
Surplus or deficit on the provision of services	**5,042**	**2,115**	**1,844**	**2,301**	**2,193**	**4,296**	**1,462**	**(28,802)**	**(9,549)**

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.

	2015/16 £000	2014/15 £000
Net Expenditure in the HRA Analysis	(31,763)	(28,802)
HRA share of Corporate and Democratic Core and Non-Distributed costs included in the Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement	(98)	(98)
Cost of HRA Services in Comprehensive Income and Expenditure Statement	**(31,861)**	**(28,900)**

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.

2015/16	**PORTFOLIO ANALYSIS £000**	**SUPPORT SERVICES £000**	**OTHER INTERNAL RECHARGES £000**	**INVESTMENT PROPERTIES £000**	**TOTAL £000**
Government Grants	(31,458)	-	-	-	(31,458)
Other Grants and Contributions	(3,638)	361	-	-	(3,277)
Sales	(192)	-	-	-	(192)
Other Income	(1,540)	123	-	10	(1,407)
Fees and Charges	(11,367)	64	-	3	(11,300)
Rents	(28,183)	14	-	523	(27,646)
Recharges	(17,496)	11,417	6,009	-	(70)
Total Income	**(93,874)**	**11,979**	**6,009**	**536**	**(75,350)**
Employees	18,620	(7,013)	-	-	11,607
Premises	11,577	(669)	-	(159)	10,749
Transport	315	(82)	-	-	233
Supplies and Services	7,420	(1,343)	-	(4)	6,073
Third Party Payments	7,081	(384)	-	(87)	6,610
Transfer Payments	30,430	-	-	-	30,430
Support Services	16,335	(2,385)	(6,009)	(112)	7,829
Capital Financing Charges	(10,501)	(103)	-	(5)	(10,609)
Total Expenditure	**81,277**	**(11,979)**	**(6,009)**	**(367)**	**62,922**
Surplus or deficit on the provision of services	**(12,597)**	**-**	**-**	**169**	**(12,428)**

NOTES TO THE ACCOUNTS

2014/15	PORTFOLIO ANALYSIS £000	SUPPORT SERVICES £000	INTERNAL RECHARGES £000	AGENCY WORK £000	INVESTMENT PROPERTIES £000	TOTAL £000
Government Grants	(31,420)	-	-	-	-	(31,420)
Other Grants and Contributions	(2,474)	471	-	-	23	(1,980)
Agency Services	(469)	-	-	469	-	-
Sales	(197)	-	-	-	-	(197)
Other Income	(1,176)	129	-	-	8	(1,039)
Fees and Charges	(11,630)	52	-	1,147	4	(10,427)
Rents	(27,319)	(10)	-	-	521	(26,808)
Recharges	(13,969)	10,791	3,178	-	-	-
Total Income	**(88,654)**	**11,433**	**3,178**	**1,616**	**556**	**(71,871)**
Employees	17,717	(6,438)	-	-	-	11,279
Premises	10,418	(582)	-	-	(146)	9,690
Transport	317	(81)	-	(4)	-	232
Supplies and Services	7,361	(1,470)	-	(52)	(2)	5,837
Third Party Payments	8,400	(398)	-	(1,147)	(108)	6,747
Transfer Payments	29,665	-	-	-	-	29,665
Support Services	13,641	(2,131)	(3,178)	(413)	(158)	7,761
Capital Financing Charges	(8,414)	(333)	-	-	(5)	(8,752)
Total Expenditure	**79,105**	**(11,433)**	**(3,178)**	**(1,616)**	**(419)**	**62,459**
Surplus or deficit on the provision of services	**(9,549)**	**-**	**-**	**-**	**137**	**(9,412)**

27. 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 2015/16 was:

	2015/16 £000	2014/15 £000
Allowances:		
Basic	**216**	212
Special Responsibility	**51**	56
Chair and Vice Chair Allowances	**16**	17
Co-Optees	**1**	1
Other Allowances (Travel, Subsistence, etc.)	**9**	10
Total Allowances	**293**	296

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

NOTES TO THE ACCOUNTS

28. Officers' Remuneration

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

Post Title		Salary (inc Fees & Allowances) £	Pension Contribution £	Total Remuneration Inc Pension Contribution £
Chief Executive	**2015/16**	**126,995**	**18,033**	**145,028**
	2014/15	107,312	14,487	121,799
Deputy Chief Executive	**2015/16**	**86,190**	**12,239**	**98,429**
	2014/15	84,923	11,465	96,388
Deputy Chief Executive	**2015/16**	**86,190**	**12,239**	**98,429**
	2014/15	100,075	12,123	112,198
S151 Officer	**2015/16**	**75,990**	**10,791**	**86,781**
	2014/15	74,872	10,108	84,980
TOTALS	**2015/16**	**375,365**	**53,302**	**428,667**
TOTALS	2014/15	367,182	48,183	415,365

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 2015/16	**Left in Year**	Total 2014/15	Left in Year
£55,000 - £59,999	**3**	**1**	1	-
£60,000 - £64,999	**3**	**-**	3	-
£65,000 - £69,999	**-**	**-**	1	1

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

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	7	5	6	-	**13**	**5**	**£111,952**	**£53,153**
£20,001 - £40,000	3	2	3	-	**6**	**2**	**£164,022**	**£57,940**
£40,001 - £60,000	1	-	1	-	**2**	**-**	**£94,220**	**-**
£60,001 - £80,000	1	-	-	-	**1**	**-**	**£61,821**	**-**
£100,001 - £120,000	-	-	-	-	**-**	**-**	**-**	**-**
Total cost included in bandings and in CIES	**12**	**7**	**10**	**-**	**22**	**7**	**£432,015**	**£111,093**

29. External Audit Costs

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

	2015/16 £'000	2014/15 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	**54**	71
Audit Fee - Objections to Accounts	**13**	-
Fees payable to Grant Thornton for the certification of grant claims and returns	**12**	12
Audit Commission rebate re reduced closure costs	**-**	(7)
TOTAL PAID	**79**	76

NOTES TO THE ACCOUNTS

30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16	2014/15
	£000	£000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	**(2,499)**	(3,515)
New Homes Bonus	**(1,623)**	(1,232)
Small Business Rate Relief Grant	**(1,067)**	(756)
Council Tax Freeze Grant	**(82)**	(78)
Council Tax Support Grant	**(23)**	(80)
New Homes Bonus Returned Funding	**(10)**	-
Right To Move Grant	**(71)**	-
Right To Challenge Grant	**-**	(8)
Right To Bid New Burdens Grant	**-**	(8)
Transparency Setup Grant	**(8)**	(6)
Council Tax Annex Discount Grant	**(2)**	(1)
Capital Grants and Contributions:		
- Victoria Skate Park	**(7)**	-
- Indoor & Outdoor Sports Facilities	**(185)**	-
- S106 GP Surgery Contributions	**(525)**	-
- Flood Alleviation	**-**	(105)
- Chase Meadow Community Centre	**-**	(1)
- Donated Heritage Assets	**-**	(9)
- 26 Hamilton Terrace Gaming Hub	**-**	(108)
- S106 Contribs towards social housing & play equipment	**(695)**	(1,302)
TOTAL	**(6,797)**	(7,209)
Credited to Services		
DWP grants for Housing Benefits	**(30,487)**	(30,099)
Housing Benefit Administration Grant	**(550)**	(631)
Better Care Fund	**(373)**	(312)
Contribution towards NNDR Collection	**(215)**	(214)
Individual Electoral Registration	**(11)**	(44)
LA-Community Advice and Support	**(65)**	(10)
Efficiency and Transformation Grant	**-**	(13)
Site Delivery Fund	**-**	(50)
Local Land Charges	**(128)**	-
Implementation of Homelessness Act	**-**	(30)
TOTAL	**(31,829)**	(31,403)
TOTAL GRANTS	**(38,626)**	(38,612)

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:

	2015/16 **£000**	2014/15 £000
Capital Grants / Contributions Receipts in Advance		
S106 Contributions towards social housing, sports facilities & play equipment	**1,596**	(374)
TOTAL	**1,596**	(374)

31. Related Party Transactions

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

Central Government:
Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26. Grant receipts outstanding at 31 March 2016 are included within the figures shown in Note 30.

Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner:
These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in Note 35.

Precepting Bodies:
The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2015/16 the precepts issued totalled £1,233,065 (£1,207,647 2014/15). The major preceptors were:

	2015/16 **£000**	2014/15 £000
Warwick Town Council	**321**	306
Royal Leamington Spa Town Council	**297**	291
Kenilworth Town Council	**177**	175
Whitnash Town Council	**113**	103

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 £501,900 (£424,600 2014/15) were paid to voluntary organisations in

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

	2015/16	2014/15
	£000	£000
Saint Chad's Trust (Bishop Tachbrook Community Centre)	**129**	-
Citizens' Advice Bureau	**100**	151
Shakespear's England	**86**	-
Warwickshire Community and Voluntary Action (CAVA)	**55**	92
Leamington Lawn & Squash Club	**30**	-
The Chain	**29**	49
Kenilworth Tennis, Squash and Croquet Club	**29**	-
Brunswick Healthy Living Centre	**-**	104

Details of Members' Allowances paid in 2015/16 are shown in Note 27 and Officer Salaries are disclosed in Note 28.

Leamington Business Improvement District:
The Council acts as an agent in respect of Leamington Business Improvement District (Bid) whereby it collects the levy due on the Bid's behalf (£299,000 in 2015/16).

32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years 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.

	2015/16	**2014/15**
	£000	**£000**
Opening Capital Financing Requirement	**134,460**	**134,460**
Capital Investment:		
Property, Plant and Equipment including Finance Leases	13,007	9,095
Investment Properties	8	-
Revenue Expenditure Funded from Capital Under Statute	1,776	1,118
Finance Leases Principal	12	44
Long Term Debtors	-	3
Sources of Finance:		
Capital Receipts	(2,141)	(1,315)
Government grants and other contributions	(647)	(2,261)
Major Repairs Account	(3,874)	(4,188)
Sums set aside from revenue	(8,018)	(2,452)
Adjustment for expenditure where MRP is being met by Asset Life or Depreciation Methods	(12)	(44)
Closing Capital Financing Requirement	**134,571**	**134,460**

NOTES TO THE ACCOUNTS

33. Leases

Authority as Lessee

Finance Leases

In 2011/12 and 2012/13 the Council acquired photocopiers under a Finance Lease and then in 2014/15 acquired a Dog Wardens van also under a Finance Lease . The liability remaining in the balance sheet at 31st March was £11,568. The minimum lease payments over the coming years are analysed below:

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

Authority as Lessor

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

Operating Leases

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

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

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

	31 March 2016 £000	31 March 2015 £000
Not later than one year	**326**	318
Later than one year and not later than five years	**1,404**	1,371
Later than five years	**820**	840
	2,550	**2,529**

34. Impairment/Revaluation Losses

During 2015/16, the Council has recognised no impairment losses charged to the General Fund as a result of writing out or down physically impaired or obsolete assets.

Revaluation losses amounting to £3,900,769 relating in the main to land values in respect of the Town Hall, Royal Pump Rooms Royal Spa Centre and Riverside House and the Crematorium buildings following the major refurbishment were charged to the General Fund and then in accordance with statutory accounting requirements reversed out to the Capital Adjustments Account to ensure no impact on the Council Tax. In addition, Revaluation impairments amounting to £3,049,321 charged to the General Fund in previous years as a result of revaluations carried out by the Council's then external valuer, the District Valuer, were recovered.

Within the Housing Revenue Account, the Council has recognised a revaluation impairment gain amounting to £19,498,794 relating to its housing stock which has partially reversed previous revaluation impairment losses charged to the HRA.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

Transactions Relating to Post-employment Benefits

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

	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	**3,298**	2,510
- past service costs	**-**	33
Financing and Investment Income and Expenditure:		
- net interest expense	**1,471**	1,456
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,769**	**3,999**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	**1,233**	(8,056)
- Actuarial gains and losses arising on changes in financial assumptions	**(13,220)**	18,954
- Other	**(1,887)**	(1,057)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(9,105)**	**13,840**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(4,769)**	(3,999)
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employer's contributions payable to scheme	**2,159**	2,060

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2015/16 £000	2014/15 £000
Present value of the defined benefit obligation	**138,048**	148,809
Fair value of plan assets	**(103,881)**	(103,378)
Net liability arising from defined benefit obligation	**34,167**	**45,431**

NOTES TO THE ACCOUNTS

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

	2015/16	2014/15
	£000	£000
Opening fair value of scheme assets	**103,378**	93,492
Interest income	**3,284**	3,972
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	**(1,233)**	8,056
The effect of changes in foreign exchange rates		
Contributions from employer	**2,159**	2,060
Contributions from employees into the scheme	**740**	691
Benefits paid	**(4,447)**	(4,893)
Closing fair value of scheme assets	**103,881**	103,378

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

	2015/16	2014/15
	£000	£000
Opening balance at 1 April	**148,809**	127,143
Current service cost	**3,298**	2,510
Interest cost	**4,755**	5,428
Contributions from scheme participants	**740**	691
Remeasurement (gains) / losses:		
- Actuarial gains / losses arising from changes in financial assumptions	**(13,220)**	18,954
- Other experience	**(1,887)**	(1,057)
Past service cost	**-**	33
Benefits paid	**(4,447)**	(4,893)
Closing balance at 31 March	**138,048**	148,809

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2016			Period Ended 31 March 2015		
	Quoted prices in active markets £000	**Quoted prices not in active markets £000**	**Total £000**	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000
Cash and cash equivalents	**1,207**	**-**	**1,207**	4,914	-	4,914
Equity Securities (by industry type):						
- Consumer	**11,685**	**-**	**11,685**	10,788	-	10,788
- Manufacturing	**4,357**	**-**	**4,357**	4,586	-	4,586
- Energy and Utilities	**1,989**	**-**	**1,989**	3,681	-	3,681
- Financial Institutions	**5,661**	**-**	**5,661**	6,035	-	6,035
- Health and Care	**3,463**	**-**	**3,463**	2,440	-	2,440
- Information Technology	**2,839**	**-**	**2,839**	2,718	-	2,718
- Other	**3,972**	**-**	**3,972**	2,821	-	2,821
Sub-total equity	**33,966**	**-**	**33,966**	33,069	-	33,069
Property:						
- UK Property	**11,918**	**-**	**11,918**	10,421	-	10,421
- Overseas Property	**88**	**-**	**88**	137	-	137
Sub-total property	**12,006**	**-**	**12,006**	10,558	-	10,558
Private Equity:						
- All	**-**	**2,812**	**2,812**	-	1,863	1,863
Investment Funds and Unit Trusts:						
- Equities	**25,611**	**-**	**25,611**	26,628	-	26,628
- Bonds	**17,442**	**-**	**17,442**	17,967	-	17,967
- Hedge Funds	**-**	**5,170**	**5,170**	-	4,574	4,574
- Infrastructure	**-**	**915**	**915**	-	-	-
- Other	**4,752**	**-**	**4,752**	3,805	-	3,805
Sub-total Investments	**47,805**	**6,085**	**53,890**	48,400	4,574	52,974
TOTAL ASSETS	**94,984**	**8,897**	**103,881**	96,941	6,437	103,378

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Warwickshire County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	2015/16	2014/15
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.5%	3.2%
Bonds	3.5%	3.2%
Property	3.5%	3.2%
Cash	3.5%	3.2%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.4 years	22.4 years
Women	24.4 years	24.4 years
Longevity at 65 for future pensioners:		
Men	24.3 years	24.3 years
Women	26.6 years	26.6 years
Rate of inflation	3.2%	2.8%
Rate of increase in salaries	4.2%	4.3%
Rate of increase in pensions	2.2%	2.4%
Rate of discounting scheme liabilities	3.5%	3.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that like expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	4,141	(4,141)
Rate of increase in salaries (increase or decrease by 0.5%)	4,003	(4,003)
Rate of increase in pensions (increase or decrease by 0.5%)	9,794	(9,794)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	14,013	(14,013)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The Council anticipates paying £2,126,000 expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2015/16 (18 years 2014/15).

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 2015 and has estimated the return on assets for January to March 2016.

36. Contingent Liabilities

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

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

The Council has been advised that a further levy of 10% (£30,500) is to be made in April 2016/17.

This means that in future only 75% of claim amounts will be paid out. Members also face potential future calls if the situation deteriorates further. Although the Council has provided for the bulk of this claw back there is potential for a further £100,000 to be reclaimed if the situation deteriorates further.

37. Nature and Extent of Risks Arising from Financial Instruments

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

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. 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, as laid down by Fitch's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with each type of financial institution located within each category.

The result of the EU Membership referendum on 23rd June 2016 and the subsequent downgrading of the UK's sovereign credit rating will affect the credit risk within the Council's Investments portfolio. This will be assessed and the Annual Investment Strategy for 2016/17 amended as appropriate with subsequent approval from the Council.

The credit criteria at 1st April 2016 in respect of financial assets held by the Council are:

Financial Asset Category	Minimum Criteria (Fitch ratings)	Maximum Investment (per Counterparty or Group)	Maximum Duration	Proportion of Portfolio at 31st March 2016 £'000
Deposits With Banks	Sovereign equal to UK rating Long Term A Short Term F1	£5m (private) £9m (nationalised)	Up to 2 years Up to 2 years	24,246 10,000
Category B	Sovereign equal to UK rating Short Term F1	£2m	364 days	2,000
Deposits with Money Market Funds	Constant Net Asset Value Funds - S & P AAAm or Moody's Aaa-mf or Fitch AAAmmf	£9m	Not defined - depends on cash flow	17,679
Deposits with Money Market Funds	Variable Net Asset Value Funds - S & P AAAfS1 or Moody's Aaa-bf or Fitch AAA/V1	£6m	Not defined - depends on cash flow	6,000
				59,925

Where appropriate the Council makes use of a credit checking agency so that customers for goods and services e.g. major contracts are assessed and suitable credit limits set. At 31 March 2016, sundry debts outstanding stood at £3.027m of which £1.251m related to general debts and £1.776m to Housing and Council Tax Benefit overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.040m and £0.815m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively. An analysis by age of the £3.027m less £0.855m bad debts provision follows:

	31 March 2016 £000	31 March 2015 £000
Less than three months	**1,077**	583
Four to six months	**328**	180
Seven to nine months	**60**	136
Ten to twelve months	**38**	137
More than one year	**669**	484
Total	**2,172**	1,520

At 31 March 2016, outstanding arrears in respect of council house rents and charges stood at £1.481m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.043m has been established.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council is able to borrow, subject to the limits imposed by the relevant Prudential Indicators, from the Money Markets to make up the shortfall. The relevant Prudential Indicators in this instance are the Operational Boundary for External Debt which manages the day to day cash flow requirements and the Authorised Limit for External Debt which sets an absolute ceiling on the amount of borrowing allowed.

All of the Council's trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

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

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

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 2015/16 out-turn a 0.25% movement upwards in interest rates would have produced an additional £0.176m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council does not invest directly in equity shares. However it does invest in Certificates of Deposits and Corporate Bonds which are instruments where the price does fluctuate, the Council manages this risk by only purchasing investments with a relatively short term to run and by holding the investments to maturity thus nullifying the effect of price fluctuations as the investments are redeemed at par i.e. face value. From 2016/17 the Council will be able to invest in Corporate Equity Funds and it is proposed to manage year end price fluctuations in these funds by the use of the Financial Instruments Available For Sale Reserve. The Council will also establish a reserve financed from the additional investment interest that these vehicles are expected to generate. This reserve will be used to finance any losses resulting from premature redemptions within the fund thus reducing the impact on the General Fund although the Council's policy will be to retain its investments in such funds for at least 5 years in order to achieve the optimum investment returns and minimising the risk to the capital value from stock market price falls.

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.

38. Authorisation of Accounts for Issue

The Chief Financial Officer re-authorised the audited Statement of Accounts for issue to the Council's members on 8 September 2016. Events taking place after this date are not reflected in these financial statements or notes. Where events taking place before the final issue date in September provided information about conditions existing at 31 March

2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of that information.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

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

2014/15 £'000		Notes	2015/16 £'000	£'000
	EXPENDITURE			
5,548	Repairs and Maintenance		**5,852**	
5,568	Supervision and Management		**5,711**	
130	Rents, Rates, Taxes and Other Charges		**118**	
328	Increased Provision for Bad Debts		**215**	
(13,159)	Depreciation and Impairment of Non-Current Assets	**6**	**(15,735)**	
2	Debt Management Costs		**-**	
81	Amortisation of Intangible Assets & Revenue Expenditure Funded from Capital Under Statute		**49**	
(1,502)	**TOTAL EXPENDITURE**			**(3,790)**
	INCOME			
(25,229)	Dwelling Rents		**(25,774)**	
(807)	Non-Dwelling Rents		**(822)**	
(823)	Charges for Services and Facilities		**(846)**	
(597)	Contributions Towards Expenditure		**(629)**	
(27,456)	**TOTAL INCOME**			**(28,071)**
(28,958)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure**			**(31,861)**
74	HRA services share of Corporate and Democratic Core			**74**
82	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services			**24**
(28,802)	**Net Income for HRA Services**			**(31,763)**
1,137	Gain or Loss on sale of HRA non-current assets			**(550)**
4,766	Interest payable and similar charges			**4,766**
131	Pensions Interest Cost and Expected Return on Pensions Assets	**10**		**174**
(178)	HRA Interest and Investment Income			**(199)**
(22,946)	**(Surplus) / Deficit for the year on HRA services**			**(27,572)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE STATEMENT

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

2014/15 £000		Notes	2015/16 £000	£000
1,323	**Balance on the HRA at the end of the previous year**			**1,353**
22,946	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement		**27,572**	
(19,047)	Adjustments between accounting basis and funding basis under statute	Main Notes 6	**(28,350)**	
3,899	**Net increase or (decrease) before transfers to or from reserves**		**(778)**	
(3,869)	Transfers (to) or from reserves		**811**	
30	**Increase or (decrease) in year on the HRA**			**33**
1,353	**Balance on the HRA at the end of the current year**			**1,386**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Amounts Reported for Resource Allocation Decisions

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

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

	2015/16	2014/15
	£000	£000
Other Grants and Contributions	(526)	(502)
Fees and Charges	(707)	(802)
Rents	(26,727)	(26,036)
Other Income	(110)	(193)
Recharges	(2,945)	(172)
Total Income	**(31,015)**	(27,705)
Employees	2,313	2,310
Premises	7,286	6,248
Transport	87	92
Supplies and Services	725	811
Third Party Payments	673	667
Support Services	3,854	1,854
Capital Financing Charges	(15,686)	(13,079)
Total Operating Expenses	**(748)**	(1,097)
Net Cost of HRA Services	**(31,763)**	(28,802)

NOTES TO THE HOUSING REVENUE ACCOUNT

2. Housing Stock

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

	31 March 2016 Nos.	31 March 2015 Nos.
Houses	**2,449**	2,446
Flats	**2,355**	2,380
Bungalows	**669**	669
	5,473	5,495

The change in housing stock can be summarised as follows:

	2015/16 Nos.	2014/15 Nos.
Housing Stock at 1 April	**5,495**	5,552
Purchases	**21**	1
Right to Buy Sales	**(43)**	(27)
Demolition for redevelopment	**-**	(31)
Housing Stock at 31 March	**5,473**	5,495

3. Housing Revenue Account Non-Current Assets and Assets Held For Sale

The total Housing Revenue Account non-current assets and assets held for sale can be analysed as follows:

	31 March 2016 £'000	1 April 2015 £'000
Council Dwellings	**282,803**	262,499
Other Properties	**6,475**	6,194
Land	**271**	186
Equipment	**55**	79
Assets Under Construction	**6,526**	1,829
Surplus Assets	**441**	1,221
Assets Held for Sale	**796**	363
Total Balance Sheet Items	**297,367**	**272,371**

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Valuation of Dwellings

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

	1 April 2015	1 April 2014
	£'000	£'000
Vacant Possession Value of Dwellings	**769,171**	719,732
Balance Sheet Value of Dwellings	**262,666**	245,791
Economic Cost to Government	**506,505**	473,941

5. Summary of Capital Expenditure Funding Sources

	2015/16	2014/15
	£'000	£'000
Usable Capital Receipts	**1,672**	764
Revenue and Other Contributions	**6,958**	2,220
Major Repairs Reserve	**3,874**	4,188
TOTAL CAPITAL EXPENDITURE FUNDING	**12,504**	7,172

6. Revaluations Impairment

Following the appointment of Carter Jonas LLP as the Council's valuers , a full valuation of the Housing Revenue Account dwellings, other properties and land including physical inspection of the assets was undertaken for the 1st April 2016 valuation. This resulted in a net increase in the value of the Council's housing stock of £19.103m. Revaluation gains of £0.355m were credited to the Housing Revenue Account Revaluation Reserve, £0.751m of revaluation losses were debited to the Housing Revenue Account arising from the acquisition of the Great Field Drive properties in 2015/16 and £19.499m was credited to the Housing Revenue Account to partially reverse previous years revaluation impairments made to that account.

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

NOTES TO THE HOUSING REVENUE ACCOUNT

7. Summary of Capital Receipts

	2015/16 £'000	2014/15 £'000
Sale of Council Houses	**3,307**	1,989
Other Non RTB Sales	**757**	-
TOTAL CAPITAL RECEIPTS	**4,064**	1,989

8. Depreciation of Fixed Assets

	2015/16 £'000	2014/15 £'000
Council Dwellings	**2,639**	2,432
Other Buildings	**349**	494
Land	**-**	-
Equipment	**25**	25
TOTAL DEPRECIATION	**3,013**	**2,951**

9. Arrears and Provision for Bad or Doubtful Debts

	2015/16 £'000	2014/15 £'000
HRA Rent & Charges Arrears		
Current Tenant Rent Arrears	**872**	997
Former Tenant Rent Arrears	**234**	201
Dwelling Rent Arrears	**1,106**	1,198
Garage Rent Arrears	**8**	11
Supporting People Charge Arrears	**39**	37
Court Cost Arrears	**141**	105
Overpayment of Benefit Arrears	**187**	211
Other Arrears	**-**	14
Total Arrears	**1,481**	1,576
Prepayments		
Dwelling Rent Prepayments	**(315)**	(277)
Garage Rent Prepayments	**(12)**	(11)
Other Prepayments	**(7)**	(7)
Total Prepayments	**(334)**	(295)
Net Arrears	**1,147**	1,281
HRA Bad Debt Provisions		
Rent Bad Debt Provision	**(883)**	(914)
Court Cost Bad Debt Provision	**(160)**	(100)
Total Bad Debt Provisions	**(1,043)**	(1,014)

NOTES TO THE HOUSING REVENUE ACCOUNT

10. HRA – Accounting for Pensions under IAS19

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

	2015/16	2014/15
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	**204**	194
Financing and Investment Income and Expenditure:		
- net interest expense	**174**	131
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**378**	**325**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability	**-**	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**378**	**325**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(378)**	(325)
Actual amount charged against the Housing Revenue Account Balance for pensions in the year:		
- employer's contributions payable to scheme	**186**	**150**

HOUSING MAJOR REPAIRS RESERVE ACCOUNT

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

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

Actual 2014/15 £000		Notes	**Actual 2015/16 £000**
	INCOME		
(2,530)	Depreciation on HRA Dwellings		**(2,639)**
(421)	Depreciation on Other Non-Current HRA Assets		**(374)**
(3,072)	Appropriation Adjustment	1	**(2,873)**
(6,023)	**TOTAL INCOME**		**(5,886)**
	EXPENDITURE		
4,188	Capital Expenditure Funded from MRR		**3,874**
4,188	**TOTAL EXPENDITURE**		**3,874**
(1,835)	**Net (Surplus) / Deficit to Balances**		**(2,012)**
(764)	Balance Brought Forward		**(2,599)**
(2,599)	**Balance carried forward**		**(4,611)**

1. <u>Appropriation Adjustment</u>

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

COLLECTION FUND

This statement details the transactions relating to the collection of council tax and business rates. The Council acts as an agent to collect council tax and business rates on behalf of Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner and business rates on behalf of the Government.

2014/15 Council Tax £000	2014/15 Business Rates £000	2014/15 Total £000		Notes	2015/16 Council Tax £000	2015/16 Business Rates £000	2015/16 Total £000
			INCOME				
(77,280)	-	(77,280)	Council Tax Receivable		**(79,858)**	**-**	**(79,858)**
-	(66,381)	(66,381)	Business Rates Receivable		**-**	**(68,221)**	**(68,221)**
(77,280)	**(66,381)**	**(143,661)**			**(79,858)**	**(68,221)**	**(148,079)**
			Contributions towards earlier years' Collection Fund Deficit:				
-	-	-	- Central Government		**-**	**(1,497)**	**(1,497)**
-	-	-	- Warwickshire County Council		**-**	**(300)**	**(300)**
-	-	-	- Warwick District Council		**-**	**(1,198)**	**(1,198)**
-	**-**	**-**			**-**	**(2,995)**	**(2,995)**
(77,280)	(66,381)	(143,661)	**TOTAL INCOME**		**(79,858)**	**(71,216)**	**(151,074)**
			EXPENDITURE				
			Precepts and Demands:				
-	34,417	34,417	- Central Government	4	**-**	**34,224**	**34,224**
58,717	6,883	65,600	- Warwickshire County Council	4	**61,062**	**6,845**	**67,907**
9,198	-	9,198	- The Office of the Warwickshire Police and Crime Commissioner	4	**9,569**	**-**	**9,569**
8,527	27,534	36,061	- Warwick District Council	4	**8,699**	**27,379**	**36,078**
76,442	68,834	145,276			**79,330**	**68,448**	**147,778**
			Distribution of earlier years' Collection Fund Surplus:				
-	461	461	- Central Government		**-**	**-**	**-**
965	92	1,057	- Warwickshire County Council		**-**	**-**	**-**
151	-	151	- The Office of the Warwickshire Police and Crime Commissioner		**-**	**-**	**-**
142	369	511	- Warwick District Council		**-**	**-**	**-**
1,258	922	2,180			**-**	**-**	**-**
			Charges to the Collection Fund:				
273	520	793	- Write-offs of uncollectable amounts		**286**	**346**	**632**
-	214	214	- Warwick District Council: Cost of Collection Allowance		**-**	**215**	**215**
-	(250)	(250)	- Increase / (Decrease) in Bad Debts Provision		**100**	**-**	**100**
-	1,961	1,961	- Increase / (Decrease) in Provision for Appeals		**-**	**1,431**	**1,431**
-	796	796	- Transitional Protection Payments payable		**-**	**465**	**465**
-	-	-	- Renewable Energy Disregard		**-**	**14**	**14**
-	-	-	- Interest payable		**-**	**3**	**3**
-	(166)	(166)	- Deferrals		**-**	**-**	**-**
273	3,075	3,348			**386**	**2,474**	**2,860**
693	6,450	7,143	**Net (Surplus) / Deficit for Year**		**(142)**	**(294)**	**(436)**
(1,194)	2,858	1,664	(Surplus) / Deficit brought forward 1 April		**(501)**	**9,308**	**8,807**
(501)	**9,308**	**8,807**	**(Surplus) / Deficit carried forward 31 March**	5	**(643)**	**9,014**	**8,371**

NOTES TO THE COLLECTION FUND

1. General

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

2. Council Tax

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. These numbers are adjusted for various items. The number of properties for each band is then converted into a Band D equivalent by applying a designated ratio to arrive at the Council Tax Base. Individual charges are determined by dividing the demands and precepts of the Council, Warwickshire County Council and The Office of the Warwickshire Police and Crime Commissioner by the Council Tax base. The Council Tax base for 2015/16 was calculated as follows:

Band	Dwellings in Banding List	Disabled Persons Adjustments No of Cases	Less Exemptions Properties Affected	Less Discounts	Adjusted Amount for Council Tax Band	Ratio	Band D Equivalent Dwellings
@	0	14	0	(2.75)	11.25	5 / 9	6.25
A	4,714	22	(200)	(761.75)	3,774.25	6 / 9	2,516.17
B	11,410	50	(600)	(1,365.50)	9,494.50	7 / 9	7,384.61
C	16,434	(2)	(460)	(1,428.25)	14,543.75	8 / 9	12,927.78
D	12,275	(20)	(300)	(842.75)	11,112.25	9 / 9	11,112.25
E	6,997	(17)	(323)	(374.50)	6,282.50	11 / 9	7,678.61
F	4,816	(13)	(93)	(196.50)	4,513.50	13 / 9	6,519.50
G	3,884	(15)	(26)	(145.00)	3,698.00	15 / 9	6,163.33
H	416	(19)	(7)	(12.50)	377.50	18 / 9	755.00
	60,946	**0**	**(2,009)**	**(5,129.50)**	**53,807.50**		**55,063.50**
	Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties						77.23
	Less Council Tax Support Scheme						(4,304.00)
					COUNCIL TAX BASE 2015/16		**50,836.73**

The Council Tax demands and precepts on the Collection Fund for 2015/16 totalled £79.330m (£76.442m in 2014/15) which, when divided by the Council Tax base, gave an average Band D equivalent of 1,560.49 (1,533.84 in 2014/15). The actual income credited to the Fund was £79.572m which is made up as follows:

	£'000
Income from Council Tax	(79,858)
Write-offs	286
INCOME FROM COUNCIL TAX 2015/16	**(79,572)**

NOTES TO THE COLLECTION FUND

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 49.3p.

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

The total rateable value of properties in the Warwick District area was £164,049,204 at 31 March 2016.

4. Names of Significant Preceptors on the Collection Fund

Council Tax:
The following authorities made significant demand on the Collection Fund during 2015/16:

Warwickshire County Council	£61,062,029.90
The Office of the Warwickshire Police and Crime Commissioner	£9,569,196.85
Warwick District Council	£8,698,947.00

Business Rates:
The following organisations made significant demand on the Collection Fund during 2015/16:

Government	£34,224,014
Warwickshire County Council	£6,844,803
Warwick District Council	£27,379,211

The Council subsequently makes a tariff payment to the Government of £22,886,048.

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 2015					COLLECTION FUND 31st March 2016			
Warwick District £'000	Warwicks. County £'000	Warwicks. PCC £'000	Total £'000	COUNCIL TAX	Warwick District £'000	Warwicks. County £'000	Warwicks. PCC £'000	Total £'000
253	1,774	278	2,305	**Arrears**	265	1,873	288	2,426
(82)	(577)	(90)	(749)	**Impairment Allowance for Doubtful Debts**	(93)	(656)	(101)	(850)
(104)	(733)	(115)	(952)	**Overpayments and Prepayments**	(91)	(641)	(99)	(831)
				Collection Fund Balance:				
-	(386)	-	(386)	Warwickshire County Council	-	(495)	-	(495)
-	-	(60)	(60)	The Office of the Warwickshire Police and Crime Commissioner	-	-	(77)	(77)
(55)	-	-	(55)	Warwick District Council	(71)	-	-	(71)
(55)	**(386)**	**(60)**	**(501)**	**TOTAL COLLECTION FUND**	**(71)**	**(495)**	**(77)**	**(643)**
				Balance Sheet:				
253	78	13	344	Debtors	265	81	11	357
(104)	-	-	(104)	Creditors	(91)	-	-	(91)
(82)	-	-	(82)	Bad Debts	(93)	-	-	(93)
(55)	-	-	(55)	Collection Fund Adjustment A/c	(71)	-	-	(71)

NOTES TO THE COLLECTION FUND

COLLECTION FUND 31st March 2015					COLLECTION FUND 31st March 2016			
Central Govt. £'000	**Warwick District £'000**	**Warwicks. County £'000**	**Total £'000**	**BUSINESS RATES**	**Central Govt. £'000**	**Warwick District £'000**	**Warwicks. County £'000**	**Total £'000**
493	394	99	986	**Arrears**	560	448	112	**1,120**
(250)	(200)	(50)	(500)	**Impairment Allowance for Doubtful Debts**	(250)	(200)	(50)	**(500)**
(535)	(428)	(107)	(1,070)	**Overpayments and Prepayments**	(237)	(190)	(47)	**(474)**
(4,257)	(3,406)	(851)	(8,514)	**Provision for Appeals**	(4,972)	(3,978)	(994)	**(9,944)**
				Collection Fund Balance:				
4,654	-	-	4,654	Central Government	4,507	-	-	**4,507**
-	3,723	-	3,723	Warwick District Council	-	3,606	-	**3,606**
-	-	931	931	Warwickshire County Council	-	-	901	**901**
4,654	**3,723**	**931**	**9,308**	**TOTAL COLLECTION FUND**	**4,507**	**3,606**	**901**	**9,014**
				Balance Sheet:				
105	394	22	521	Debtors	-	448	-	**448**
-	(428)	-	(428)	Creditors	(392)	(190)	(78)	**(660)**
-	(200)	-	(200)	Bad Debts	-	(200)	-	**(200)**
-	(3,406)	-	(3,406)	Provision for Appeals	-	(3,978)	-	**(3,978)**
-	3,723	-	3,723	Collection Fund Adjustment A/c	-	3,606	-	**3,606**

GLOSSARY

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

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

Actuarial gain (loss)
The changes in the pension fund's deficits or surpluses that arise because of:
a) Events have not coincided with the assumption used by the actuary when carrying out the previous triennial valuation of the fund; or
b) The actuary changing the assumptions used in the current triennial valuation exercise from those used previously.

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

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

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

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

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

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

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

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

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

Capital Adjustment Account
Resources set aside to meet past capital expenditure.

GLOSSARY

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

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

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

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

Cash-flow statement
Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

Earmarked reserves
Money set aside for a specific purpose.

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

Financial Reporting Standard (FRS)
Recommendations on the way we need to treat certain items in our accounts.

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

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

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

International Financial Reporting Standards (IFRS)
Accounting standards/ practices on the way we need to treat certain items in our accounts.

Inventories
Goods bought which have not yet been used.

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

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

GLOSSARY

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

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

Minimum revenue provision (MRP)
The statutory minimum amount by which the Council must set aside each year to repay loans.

Net book value
The value of an asset after depreciation.

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

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

Notional
An accounting entry where there is no actual cash transfer.

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

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

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

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

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

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

Property, Plant and Equipment
An item that is intended to be used for several years such as a building or a vehicle.

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

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

- Capital expenditure plans are affordable;

GLOSSARY

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

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

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

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

Reserves and funds
Savings we have built up from surpluses.

Revaluation Reserve
Store of gains on the revaluation of fixed assets.

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

Revenue Support Grant
The main government grant to support local authority services.

Soft Loans
Loans made at less than the market rate of interest.

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

Surplus
The remainder after taking away all expenses from income.

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

We have audited the financial statements of Warwick District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Housing Major Repairs Reserve Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement Annual Report is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

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

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have completed our consideration of objections brought to our attention by local authority electors under Section 27 of the Act. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

J Gregory

John Gregory for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

22 September 2016

ANNUAL GOVERNANCE STATEMENT

1. RESPONSIBILITY FOR GOVERNANCE

1.1 Governance is about how an organisation is directed and controlled in order to achieve its objectives. It therefore comprises the systems, structures and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct. It combines the 'hard' factors such as robust systems and sound structures with the 'softer' characteristics of effective leadership and high standards of behaviour. In short, governance is "Doing the right things, in the right way."

1.2 Responsibility for good governance at Warwick District Council lies with the Members of the Council and senior management. They are responsible for ensuring that:

- The Council's business is conducted in accordance with legal requirements and proper standards
- Public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

1.3 To meet its responsibilities Warwick District Council has adopted a Code of Corporate Governance. The Code can be viewed on the Council's website: www.warwickdc.gov.uk

2. THE GOVERNANCE FRAMEWORK

2.1 The governance framework is summarised in an appendix to this Statement. The appendix details in diagrammatical form the processes, structures and cultural values used by Warwick District Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether these have led to the delivery of appropriate, cost-effective, services.

2.2 The system of internal control is a significant part of the 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 the Council's policies, aims and objectives
- evaluate the likelihood and potential impact of those risks being realised, and
- manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Warwick District Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

Processes

2.4 Warwick District Council's priorities are reviewed annually and cascaded from its strategic plan through to individuals' personal objectives via service area plans.

2.5 Monitoring of performance against agreed plans and strategies is undertaken by heads of service in conjunction with their respective portfolio holder and managers. This will be duly discussed at one-to-ones and appraisals with CMT. Progress is reported periodically to the Executive and heads of service and their portfolio holders will discuss progress with the Overview and Scrutiny Committee.

2.6 Warwick District Council's Constitution contains the necessary approvals and rules for governance, including delegations to Committees and Officers. During 2015/16 the Chief Executive as the 'Head of Paid Service', one of the Deputy Chief Executives as the 'Monitoring Officer', and the Head of Finance as 'Responsible Financial Officer' (aka Section 121 Officer), each carried statutory responsibilities relating to the governance of the Council.

2.7 Executive decision making is carried out through the Executive Committee, the Planning Committee and senior management. The Finance & Audit Scrutiny Committee and the Overview & Scrutiny Committee has responsibility to review and scrutinise the activities of the Council and provide advice on the development of policies. The Finance & Audit Scrutiny Committee receives reports on governance-related topics including risk management and the work of internal and external audit.

2.8 Warwick District Council has approved a formal risk management strategy and regularly reviews and updates its strategic and operational risks. The Council continues to ensure that a risk management culture is embedded within service management with key risks being assigned to individuals for management.

2.9 The Council's Code of Financial Practice sets out the parameters for the financial management of the Council. Heads of service are responsible for the financial management of the services and activities delegated to them. Budget monitoring is carried out monthly at officer level, with quarterly reports to the Executive Committee.

2.10 The Council's Code of Procurement Practice is in place to ensure that the Council complies with all legal requirements when procuring goods and services, operates with a system of openness, integrity and transparency and achieves value for money when acquiring goods, works and services. The Code is kept under review to ensure that it is fit for purpose. Training is provided to officers on the Code, procurement and contract management.

2.11 Codes of Conduct are in place for both Members and Officers. These set out required standards of behaviour and the sanctions that will be applied in the event of any breaches.

2.12 Service Area Plans contain details of the key measures for each Service. These include both customer and operational measures. These measures are used to monitor performance as discussed in paragraph 2.5.

Structures

2.13 This is described in the diagram accompanying the Statement.

2.14 The structures outlined in the diagram, together with the processes described earlier, contribute to ensuring that published information is accurate and reliable and form a sound basis for decision making within the authority.

Cultural Values

2.15 The Council's cultural values are underpinned by the Fit for the Future strategy which has progressed to continue to engage with all staff. The strategy is based upon three key areas: Service, People, and Money. These are reinforced by five core values. The Core Values aspired to, together with the behaviours associated with them, are clearly identified and communicated throughout the organisation. The Core Values are: Honesty and Integrity, Openness and transparency, Fairness and Equity; Community Focus, and Environmental Sensitivity.

2.16 These are now an integral part of the performance management appraisal discussions and induction programme. The Council continues to develop and implement interventions that fundamentally change its shape. In some cases these have resulted in significant savings and allowed for different ways of working, greater empowerment and a consideration in how we manage effectively and efficiently with only limited impact on service delivery. Continued development and evaluation of structures are an ongoing part of Service Planning.

2.17 Following feedback from the Corporate Peer Challenge, Investors in People (IIP) and our own internal checks, the Senior Management Team (SMT) continues to work on determining the 'culture' that is needed at WDC and how it can be achieved.

3 REVIEW OF EFFECTIVENESS

3.1 Warwick District Council is required under legislation to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the work of 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.

3.2 The components involved in maintaining and reviewing the effectiveness of the governance framework are set out below.

3.3 The Council

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

3.3.2 The Code of Corporate Governance brings together in one document all the governance and accountability arrangements which the Council currently has in place and highlights areas where more work is required. The Executive agreed a new Code of Corporate Governance during 2015/16.

3.4 The Executive

3.4.1 The Executive is responsible for the formulation of the Council's Corporate Strategy, Sustainable Community Strategy, Performance Plan, and such forward programmes and other steps as may be necessary to achieve those objectives. It also is responsible for the organisation and management processes of the Council and their effectiveness in contributing to the achievement of the Council's Corporate Strategy. In undertaking these roles, the Executive is reviewing the effectiveness of the governance framework.

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

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

3.5.2 Each quarter the committee reviews the findings from Internal Audit assignments completed during that period, 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.

3.5.3 The rigour applied by these Committees in carrying out their scrutiny role has contributed to an effective governance framework and to the Council achieving its objectives. For example, the ongoing review by Finance & Audit Scrutiny Committee of service contract registers and service risk registers has improved risk management throughout the organisation and member championing of effective procurement has led to major improvements in procurement practice and the attainment of significant savings in the purchasing of goods and services.

3.6 The Standards Committee

3.6.1 The Standards Committee provides a significant contribution to effective governance by regulating and overseeing the conduct of Members. It deals with any cases of misconduct by Members and issues sanctions as appropriate.

3.7 Internal Audit

3.7.1 Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan that is approved by Finance & Audit Scrutiny Committee and from which the audit assignments are identified.

3.7.2 A report of each audit is submitted to the relevant Service Area Manager. The report includes an action plan that comprises recommendations for improvements in control and management responses.

3.7.3 During the year Internal Audit were able to give a substantial level of assurance in respect of the majority of the activities that it audited. The rest were awarded moderate levels of assurance. Recommendations to address the shortcomings identified in the reviews have been issued and their implementation will be monitored by Finance & Audit Scrutiny Committee.

3.7.4 Quarterly reports are issued to Members on progress in achieving the annual plan. The reports also contain copies of all action plans issued to managers in the quarter, details of any outstanding responses and, where the level of assurance given is less than substantial, copies of the audit reports.

3.7.5 The Internal Audit Section complies with the Public Sector Internal Audit Standards that came into force on 1 April 2013 and is subject to regular inspection by the Council's external auditors who place reliance on the work that the Section carries out.

3.7.6 Heads of Service are responsible for establishing and maintaining an adequate system of internal control within their own services. They are also required to sign off annual Service Assurance Statements where they will raise any items of concern. No major issues were identified by Heads of Service in 2015/16.

3.8 Other review/assurance mechanisms

3.8.1 The Scrutiny Committees, the Standards Committee and External Audit contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use has been made of other review agencies such as peer assessors from the West Midlands Local Government Association.

3.8.2 The Council is audited annually to ensure it meets a set of mandatory information assurance requirements set by central government called the Code of Connection (CoCo). CoCo requires local authorities to provide a compliance statement that documents how their information technology meets baseline requirements that are adopted from ISO 27001. The effective use of ICT Resources is critical in the efficient delivery of Council services to its citizens. ICT Governance is undertaken by the Council's ICT Steering Group and this group is responsible for ensuring that ICT resource allocation is directly aligned to Council priorities and appropriate reporting and monitoring arrangements have been put in place.

3.8.3 The Council has been Investors in People-accredited since 1998. During 2015/16 it received Bronze accreditation. A number of services are externally accredited against specific standards. Food Safety's ISO9000 quality management system was re-accredited during the year. In addition, Housing & Property Services achieved the Telecare Services Association's Platinum Standard and Cultural Services' leisure centres continue to be Approved Training Centres for the Institute of Qualified Lifeguards. The Plain English Campaign awarded the Council website its Internet Crystal Mark standard. The Council also received during the year the 'Positive about Disability' Award for its employee recruitment and selection processes. The Council's website was also awarded Digital Accessibility Centre Accreditation.

4 ROLE OF CHIEF FINANCIAL OFFICER

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

4.2 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.

4.3 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in 3 specific aspects:

- Head of Finance reporting directly to Chief Executive.
- Head of Finance being a member of Leadership Team.
- Head of Finance having responsibility for Asset Management.

4.4 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior members. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This way of operating has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being a detriment to the authority is low.

4.5 With regard to asset management, responsibility for this comes under the Head of Housing & Property Services and the Council considers this is the appropriate place for it to be as that is where the expertise and the operational work lies.

4.6 Naturally the Council will need to keep all reporting and responsibility arrangements under review and would be prepared readily to discuss any perceived shortcomings with the Council's external auditors if and when they arise.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Although no significant governance issues have been identified from the processes involved in producing the Statement (e.g. the meeting with committee chairs) or from the sources of evidence supporting it (e.g. the service assurance statements), some areas for improvement, albeit not major, of a governance nature have been identified. These are set out below:

1. The call-in process to be examined in respect of Executive and Council decisions.
2. Service Area Crisis Plans to be updated and kept under regular review.

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

Signed:

_____ _____

Andrew Mobbs
Leader of the Council

Chris Elliott
Chief Executive

Dated:

_____ _____

WARWICK DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT FRAMEWORK

