

WARWICK DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2016/17 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 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 Finance and Audit Scrutiny Committee in July.

From the 2017/18 Accounts, it is required that all local authority draft accounts are completed by 31 May following the year end, and agreed by members by 31 July. In preparation for this early closedown, the 2016/17 accounts have been prepared on this timescale. As part of the changes to enable this, the audited Statement of Accounts is to be presented to Finance and Audit Scrutiny Committee in July for approval.

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 2016/17;
- 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' 2015/16 recommendation, the content has been reviewed and the "de-cluttering" exercise has continued to seek to make the accounts more understandable.

The Narrative Report provides information about Warwick District, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- Guide to the Financial Statements
- An Introduction to Warwick District
- Key Facts about Warwick District
- Key Information about Warwick District Council
- The 2016/17 Revenue Budget Process
- Capital Strategy and Capital Programme 2016/17 to 2019/20
- Financial Performance of the Council 2016/17
- Non-Financial Performance of the Council 2016/17
- 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 2016/17.

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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.

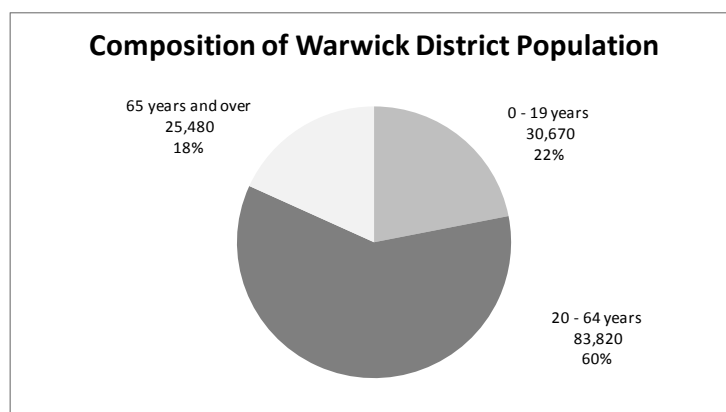
The Council's vision is to "make Warwick District a Great Place to Live, Work and Visit".

Key Facts about Warwick District

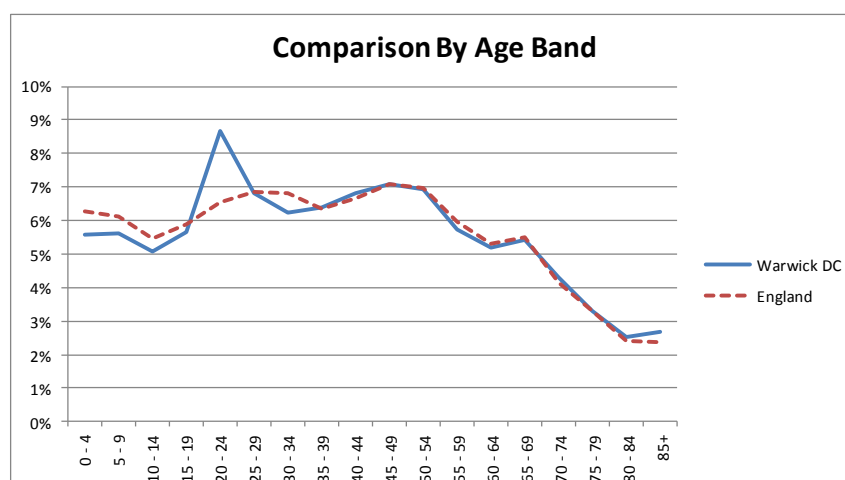
The profile of the local population dictates the direction and substance of the services provided by the Council.

Population

The Office for National Statistics Mid-Year Estimates for 2015 reported that Warwick District's estimated population was 139,970 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 35 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 29 year olds reflecting the large number of students in the area.



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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 2016/17 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:

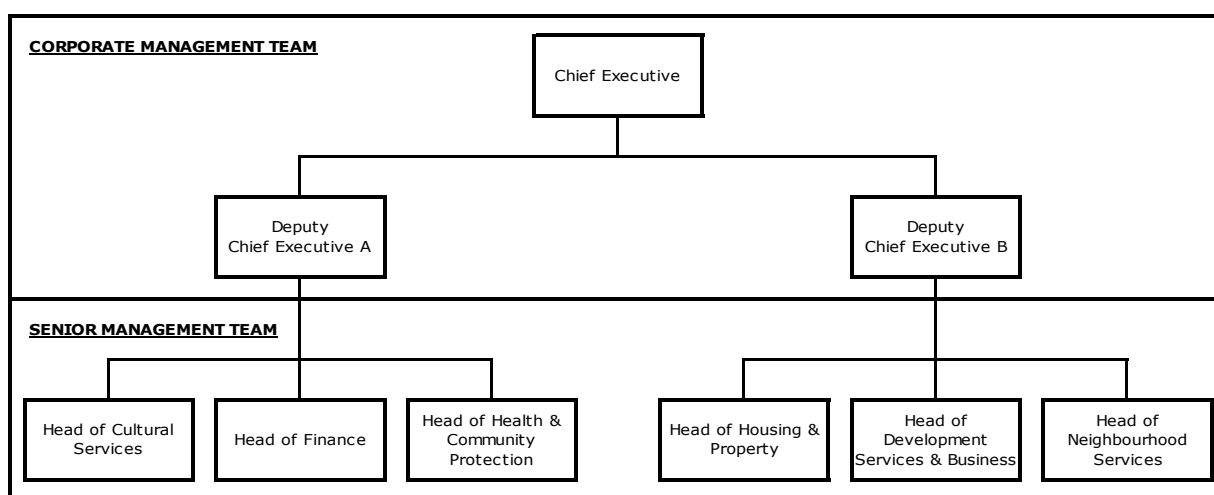
| | |
|--|----------------|
| Conservative Party | 31 Councillors |
| Labour Party | 9 Councillors |
| Whitnash Residents Association (Independent) | 3 Councillors |
| Liberal Democrat Party | 2 Councillors |
| Green Party | 1 Councillor |

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 2016/17, including the setting of a balanced budget for 2017/18, 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 2016/17 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.

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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 2016 was 471. This reduced over the year by 21 to 450 in March 2017 following 7 retirements, 5 end of contracts and 3 other changes. There were also 6 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 £5m during the period 2009/10 to 2016/17. A further £0.8m of savings have been built into the budgets during 2017/18 to 2020/21.

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. Following a Corporate Peer Challenge review in 2016, Fit For the Future has been further reviewed with an updated plan agreed 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.

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Key Factors that Influenced the Council and its Financial Position in 2016/17

The key factors that have influenced the Council and the services that it provided in 2016/17 are:

- Local Government Finance Acts;
- The Local Government Finance Settlements; and
- Economic climate 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 –work has continued to reduce the national deficit continued with the Chancellor’s Budget in March 2016 confirming a revised level of public spending throughout the period, with the aim of achieving a budget surplus of £10.4bn by 2019/20 that an additional £20 billion of public sector spending reductions would be required by 2020. The Chancellor’s Budget of March 2016 included additional savings equivalent to 0.5% of total government spending by 2019/20, for which a departmental efficiency review would identify how this could be saved.
- Following the Referendum in June 2016, in the Chancellor’s Autumn Statement the government abandoned its commitment to reduce public sector net borrowing to a surplus by the end of this Parliament, with it planning for a deficit of £21.9bn in 2019/20.
- During 2016/17 the Government consulted on the proposed 100% Business Rate Retention scheme then planned for 2019/20, with the consequent end of Revenue Support Grant. With the announcement of the General Election in June 2017, the timetable for the timing for the introduction of 100% Business Rates Retention is in doubt.
- As with the rest of the country, the result of the Brexit Referendum will undoubtedly impact upon the Council. Until more details are known about the negotiations, it is not possible to understand how the Council will be affected.

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 – Most of the schemes, including Small Business Rate Relief which operated throughout 2015/16 were extended for one more year and business rates increases were 0.8% from April 2016. The Retail Relief was not continued into 2016/17, this ended as at 31st March 2016.

Social

- The 2015 Office for National Statistics mid-year estimates reported Warwick District’s population at 139,970.
- 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 29 is considerably higher in the District. From 30 years onwards the District has a similar proportion of people as the national average.
- The National Living Wage increases to £7.50 per hour in April 2017 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.

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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.
- 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 introduces legislation to allow the sale of higher value local authority homes, more building of starter homes and "Pay to Stay" and other measures intended to promote home ownership and boost levels of housebuilding.
- Following the announcement of the June 2017 General Election, there is uncertainty as to when, and if, the provisions within the 2017 Local Government Finance Bill will be passed. These include 100% Business Rate Retention and other matter relating to business rates.

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 2016/17 Revenue Budget Process

The 2016/17 revenue budget process was influenced and framed by the continued need to make reductions in expenditure whilst progressing Council priorities.

In December 2015 the Executive and Council approved detailed budget reports for both the General Fund and Housing Revenue Account for setting the 2016/17 revenue budgets.

By February 2016 the Council had received the 2016/17 Revenue Support Grant Settlement; updated business rate retention projections for 2016/17, the New Homes Bonus allocation 2016/17 and an updated Council Rent Policy. Any further changes in circumstances that had been identified were also taken into account. The Executive recommended that the net General Fund revenue budget for 2016/17 be set at £7.878m; this was approved by Council at its meeting on 24 February 2016. Council also approved the Capital Programme for 2016/17 to 2019/20 and the Medium Term Financial Strategy 2016/17 to 2020/21 along with the Housing Revenue Account Budget for 2016/17.

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Council Tax

Council policy in 2016/17 was to increase the Band D Equivalent Council Tax by £5 as allowed in the Government's Final Grant Settlement announcement. This was equivalent to a 3.4% increase. Both Warwickshire County Council and the Office for the Warwickshire Police and Crime Commissioner increased their Council Tax by 3.99% and 1.99% respectively.

The comparison of Council Tax levels from 2014/15 to 2016/17 is shown below:

| Band D Council Tax by Tax Raising Body | 2014/15 £ | 2015/16 £ | 2016/17 £ |
|--|----------------------|----------------------|----------------------|
| Warwick District Council | 146.86 | 146.86 | 151.86 |
| Warwickshire County Council | 1,178.19 | 1,201.14 | 1,249.02 |
| Office of Warwickshire Police and Crime Commissioner | 184.56 | 188.23 | 191.98 |
| Average Parish and Town Councils | 24.23 | 24.26 | 25.17 |
| TOTAL Band D Council Tax | 1,533.84 | 1,560.49 | 1,618.03 |

Council Tax Base

The revision to the 2016/17 Tax Base, resulting in an increase of 1,042.47 to the number of Band D equivalent properties (as shown in the table below), produced a net increase in Council Tax income of £158,309 for Warwick District Council. This in part reflects the Council's support for local house building and the regeneration of the district.

| | 2014/15 | 2015/16 | 2016/17 |
|---------------------------------------|----------------|----------------|----------------|
| Number of Band D equivalent dwellings | 49,836.88 | 50,836.73 | 51,879.20 |

Collection Fund – Council Tax

Payments out of the Collection Fund for in-year Council Tax (excluding prior year surpluses / deficits) from 2014/15 to 2016/17 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:

| | 2014/15 £'000 | 2015/16 £'000 | 2016/17 £'000 |
|--|--------------------------|--------------------------|--------------------------|
| Warwick District Council | 7,319 | 7,466 | 7,878 |
| Warwickshire County Council | 58,717 | 61,062 | 64,798 |
| Office of Warwickshire Police and Crime Commissioner | 9,198 | 9,569 | 9,960 |
| Average Parish and Town Councils | 1,208 | 1,233 | 1,306 |
| TOTAL Demands | 76,442 | 79,330 | 83,942 |

Medium Term Financial Strategy for 2016/17 to 2020/21

The Medium Term Financial Strategy (MTFS) was approved at the Council meeting on 24 February 2016 and it set the framework to enable the Council to determine an appropriate course of action to address significant financial challenges not only for 2016/17 but for future financial years. In line with the vast majority of local authorities, the Council accepted the Government's offer to "fix" the subsequent three year grant figures included in the 2016/17 Grant Settlement and duly submitted the required Efficiency Statement.

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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 2016/17 Settlement. Information provided in the Settlement was for 2016/17 and the following three years 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 (November) is a detailed review of budgets which also includes the first draft of the detailed budgets for the forthcoming year.

Capital Programme 2016/17 to 2019/20

The Capital Programme was approved at the Council meeting of 24 February 2016. The programme is set over a four year period 2016/17 to 2019/20.

In total the planned programme for 2016/17 was £11.7m, mostly funded from internal reserves. As 2016/17 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 budget for 2016/17 was £21.5m. The largest elements of the budget for the year were Leisure Centre Refurbishments (£3.6m) Restoration of the Pump Room Gardens (£1.3m), the building of new Council housing stock (£7.6m) and improvements to existing housing stock (£4.9m).

Resources Available for the Capital Programme

The table below summarises the approved resources available for the 2016/17 Capital Programme and the indicative programme to 2019/20. This level of resources ensures that the overall planned spending and funding are in balance.

| | Original 2016/17 £000 | Latest 2016/17 £000 | Proposed 2017/18 £000 | Proposed 2018/19 £000 | Proposed 2019/20 £000 |
|--|-----------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital Receipts | 504 | 4,971 | 1,335 | 264 | 188 |
| Internal Borrowing | 50 | 3,467 | 8,996 | 152 | - |
| Grants and Other Contributions | 499 | 2,608 | 2,626 | 452 | 422 |
| Leasing | - | 74 | - | - | - |
| Revenue Contributions | 10,665 | 10,395 | 5,899 | 5,239 | 4,956 |
| Total Capital Programme Funding | 11,718 | 21,515 | 18,856 | 6,107 | 5,566 |

Financial Performance of the Council 2016/17

Revenue Outturn Position – General Fund Services

The Council's 2016/17 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 24 February 2016 was £12.704m. The original budget set out how the Council planned to allocate its funding

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during the year in order to deliver services to the people and communities within Warwick District.

In overall terms, the Council achieved a surplus of £0.456m for the financial year when comparing budgeted (planned) expenditure with actual expenditure. The surplus for the year has been allocated to reserves.

| | Original Budget £000 | Actual £000 | Variation £000 |
|-----------------------------------|-------------------------------------|------------------------|---------------------------|
| Net Revenue Expenditure: | | | |
| Culture | 3,160 | 4,017 | 857 |
| Development Services & Business | 1,938 | 2,642 | 704 |
| Finance | 2,352 | 2,025 | (327) |
| Health & Community Protection | 2,597 | 2,691 | 94 |
| Housing and Property Services | 2,104 | 1,526 | (578) |
| Neighbourhood Services | 4,838 | 3,437 | (1,401) |
| Strategic Leadership | 1,176 | 1,392 | 216 |
| Net Service Expenditure | 18,165 | 17,730 | (435) |
| Less Financing Adjustments | (5,461) | (6,653) | (1,192) |
| Total Net Expenditure | 12,704 | 11,077 | (1,627) |
| Financed By: | | | |
| Council Tax Payers | (7,878) | (7,878) | - |
| Revenue Support Grant | (1,587) | (1,587) | - |
| Retained Business Rates | (877) | 283 | 1,160 |
| New Homes Bonus Grant | (2,258) | (2,258) | - |
| New Homes Bonus Returned Funding | (10) | (7) | 3 |
| Transition Grant | (39) | (40) | (1) |
| Other Grants | - | (41) | (41) |
| Collection Fund Surplus | (55) | (55) | - |
| Total Financing | (12,704) | (11,583) | 1,121 |
| NET UNDERSPEND FOR YEAR | - | (506) | (506) |

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

- Capital charges – re-profiling of the capital programme, depreciation and impairment charges has resulted in increased capital charges of £0.5m.
- £0.3m of various revenue programmes not completed in 2016/17 has been carried forward to 2017/18.

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

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

Revenue Outturn Position - Housing Revenue Account

The Council's 2016/17 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 24 February 2016 was to transfer an operating surplus of £4.526m to the HRA Capital Investment

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Reserve. Alongside agreeing the HRA Budget, the rents were agreed for tenants. Existing tenants received a 1% reduction in their rents in line with Government requirements. The rents for new tenancies continue to be set in line with target social rents, and Warwick affordable rent for Sayer Court. The original budget set out how 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.

In overall terms, the HRA achieved a surplus of £5.599m for the financial year, an increase of £1,073,000 when comparing budgeted (planned) expenditure with actual expenditure.

| | Original Budget £000 | Actual £000 | Variation £000 |
|--|-------------------------------------|------------------------|---------------------------|
| Expenditure: | | | |
| Employees | 2,544 | 2,348 | (196) |
| Premises | 7,059 | 6,030 | (1,029) |
| Transport | 107 | 90 | (17) |
| Supplies and Services | 952 | 558 | (394) |
| Third Party Payments | 863 | 854 | (9) |
| Support Services | 3,724 | 7,891 | 4,167 |
| Capital Charges | 3,171 | (33,328) | (36,499) |
| Total Expenditure | 18,420 | (15,557) | (33,977) |
| Income: | | | |
| Other Grants and Contributions | (213) | (204) | 9 |
| Other Income | (96) | (199) | (103) |
| Fees and Charges | (706) | (850) | (144) |
| Rents | (26,574) | (26,585) | (11) |
| Recharges | (2,952) | (6,421) | (3,469) |
| Total Income | (30,541) | (34,259) | (3,718) |
| Net Cost of Services | (12,121) | (49,816) | (37,695) |
| Adjustments and Appropriations: | | | |
| Interest on Balances | (253) | (208) | 45 |
| Capital Charges Adjustment | 3,002 | 39,461 | 36,459 |
| External Interest Paid | 4,766 | 4,766 | - |
| Revenue Contrib. to Capital Outlay | 220 | 104 | (116) |
| Contribution to / (from) Reserves | 8 | 152 | 144 |
| Increase in HRA Balance | 14 | 14 | - |
| Other Adjustments | (162) | (72) | 90 |
| Transfer to HRA Cap. Invest. Res. | 4,526 | 5,599 | (1,073) |

The main variances relate to:

- £359,000 less doubtful debts provision required.
- £283,000 reduction on repairs and maintenance programme.
- £97,000 reduction in staffing costs.
- £94,000 increased service charges recovered from tenants.

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Treasury Management

On 24 February 2016 the Council approved the Treasury Management Strategy for 2016/17. Treasury management performance is reported to the Executive with further reviews undertaken by the Finance and Audit Committee.

The Department for Communities and Local Government (DCLG) requires Councils to set aside 'prudent' provision for the repayment of debt where they have used borrowing arrangements to finance capital expenditure (historic and current) but allows certain flexibility as to how this is calculated.

Capital

The Council spent £16.7m on its Capital Programme in 2016/17 compared with an updated forecast spend of £21.5m. 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) | Revised Budget £000 | Actual £000 | Variation £000 |
|---|------------------------------------|------------------------|---------------------------|
| HRA Related HIP: | | | |
| New Build / Reprovision of Housing | 7,572 | 6,636 | (936) |
| Improvement / Renewals | 4,871 | 4,069 | (802) |
| Total HRA HIP | 12,443 | 10,705 | (1,738) |
| General Fund Related HIP: | | | |
| Private Sector Housing | 787 | 653 | (134) |
| TOTAL HIP | 13,230 | 11,358 | (1,872) |
| Financed By: | | | |
| Capital Receipts | (3,471) | (3,211) | 260 |
| Capital Grant | (734) | (607) | 127 |
| Major Repairs Reserve | (4,564) | (3,964) | 600 |
| HRA Capital Investment Reserve | (4,154) | (3,472) | 682 |
| Revenue | (307) | (104) | 203 |
| Total Financing | (13,230) | (11,358) | 1,872 |

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| Other Services Programme | Revised Budget £000 | Actual £000 | Variation £000 |
|---------------------------------|---------------------------|----------------|-------------------|
| Capital Expenditure: | | | |
| Culture | 4,072 | 3,291 | (781) |
| Development Services & Business | 1,524 | 1,086 | (438) |
| Finance | 90 | 114 | 24 |
| Health & Community Protection | 2 | 2 | - |
| Neighbourhood Services | 2,153 | 584 | (1,569) |
| Strategic Leadership | 444 | 256 | (188) |
| Net Service Expenditure | 8,285 | 5,333 | (2,952) |
| Financed By: | | | |
| Internal Borrowing | (3,467) | (2,759) | 708 |
| Capital Receipts | (1,500) | (1,093) | 407 |
| External Contributions | (1,948) | (783) | 1,165 |
| Revenue / Reserves | (1,370) | (698) | 672 |
| Total Financing | (8,285) | (5,333) | 2,952 |

The variance between the adjusted forecast capital expenditure and the final outturn for the year was a reduction of £4.82m. Some of this was savings on completed projects but the majority is work not completed in the year. This will require the re-profiling £3.15m of planned expenditure into 2017/18 together with the associated financing. Therefore this does not present any financial issues for the Council.

Non-Financial Performance of the Council 2016/17

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:

- In November the Council agreed to investment of over £14m in the leisure centres at Newbold Comyn and St Nicholas Park.
- Following a comprehensive procurement process a new operator was selected to run the Council's leisure centres from Summer 2017 which will present the Council with financial savings as well as meeting the cost of the investment in the centres.
- The Green Flag and Green Heritage Awards have been retained for Jephson Gardens, and Warwick Town Council and Leamington Town Council were assisted in achieving the Britain in Bloom Gold Award.

Housing:

- Over 200 new affordable housing completions, including the first 81 council homes built in the district for over two decades at Sayer Court.
- The number of people registered on the HomeChoice scheme fell, from c3,500 at the start of the year to under 2,600 at the end.
- In addition to the council's existing 17 units of temporary accommodation a further 5 units are in the process of being brought on-stream during the coming month which will allow the use of bed and breakfast to be restricted to emergencies only.
- At Station Approach in Royal Leamington Spa building work started on site in September 2016 and the first properties are scheduled for release in 2018. In total, Station Approach will deliver 212 homes of which 75% will be affordable housing.

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Prosperity:

- The 2016 National Women's Aviva Cycle event passed through Kenilworth and Warwick for the first time, providing significant promotion opportunities for these towns. Furthermore, in 2017 stage 3 of the event will be finishing in Royal Leamington Spa Town Centre, which will enable the promotion of the town and provide activities and events to make this a real occasion to be proud of.
- Royal Spa Centre - the venue has enjoyed a successful year attracting over 93,000 visitors in 2016/17 and including one of the most financially successful pantomime seasons ever, with over 22,000 people attending and attracting some of the best feedback ever received.

Safer Communities:

- Continued investment in CCTV led directly to over 520 arrests.
- The Council achieved the Purple Flag for Royal Leamington Spa in September 2016, demonstrating the safety and vibrancy of the night time economy in the town centre.

Sustainability:

- The Council's recycling rate is approximately 56%, which is well ahead of the national target of 50% by 2020.
- The electric vehicles were delivered over the summer 2016 and are being used by nominated officers across the council. This is helping to reduce the council's impact on the local environment.
- Under the Council's Rural and Urban Capital Initiative Scheme 11 grants totalling £114,000 were agreed by Executive in 2016/17 which will help facilities in local communities.

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.

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, alongside all the Service Risk Registers.

Summary Position

It is clear that the Council's financial and non-financial performance in 2016/17 continues to be good.

In 2016/17, 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

NARRATIVE REPORT

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 2017/18.

Content and Format of the Statement of Accounts

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

Statements to the Accounts

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Council and the Chief Finance Officer (Head of Finance).

Core Financial Statements

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

Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. This includes Capital Grants Unapplied Account which are grants received but not yet utilised; Useable Capital Receipts Reserve which holds the balance of receipts from disposals of assets; Major Repairs Reserve holds the balance of funding to support capital spending in the Housing Revenue Account. The 'Surplus or (Deficit) on the 'provision of services' line shows the true economic cost of providing the Council's services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

Balance Sheet shows the value of the Council's assets and liabilities at the Balance Sheet date. These are matched by reserves which are split into two categories, Usable and Unusable reserves. Unusable reserves are not available to support services and are in the main used to hold unrealised gains and losses, where the actual gain or loss will only become available once another event has occurred. For example, the Revaluation Reserve for Non-Current Assets will only become available if the asset is sold and the full value of the asset realised.

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

Supplementary Statements

Expenditure and Funding Analysis – the objective is to demonstrate to council tax and rent payers how the funding to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting

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practices. The Expenditure and Funding Analysis also shows how the expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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

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

Statement of accounting policies

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

Notes to the core financial statements

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

Auditor's Report

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

Main Changes to the Core Statements and Significant Transactions 2016/17

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet have increased by £3.8m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). The main change relates to the increase in the discount rate used by the Actuary to discount the future cash flows of the fund. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further details are given in Note 35.

Following the "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 a number of amendments have been made to the Council's core financial statements and supporting disclosure notes. This includes a simplified Movement in Reserves Statement and a Comprehensive Income and Expenditure Statement presented in the Council's reporting format where previously the Net Cost of Services has been reported by SeRCOP classification. In line with International Financial Reporting Standards a full retrospective restatement of the 2015/16 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement have been included within the 2016/17 Statement of Accounts. Further details of the restatement between SeRCOP and local reporting formats can be found in Note 6, Prior Year Restatements.

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Receipt of Further Information

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

Acknowledgements

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

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

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

Statement of Accounts approved at the Finance and Audit Scrutiny Committee meeting held on 30 August 2017.

Chair of the Meeting
Councillor Barrott

The Head of Finance's Responsibilities

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

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

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

The Head of Finance has also:

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

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2017 and its income and expenditure in the year ended 31 March 2017.

17 August 2017

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

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is not a primary statement but a note to the accounts. This note is required to be given due prominence in the accounts and has, consequently, been placed before the Comprehensive Income and Expenditure Statement.

| | 2016/17 | | | | |
|---|-------------------------------------|--|---|--|---|
| Portfolio: | As Reported for resource management | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cultural Services | 4,017 | (1,166) | 2,851 | 1,166 | 4,017 |
| Development Services & Business | 2,642 | (956) | 1,686 | 956 | 2,642 |
| Finance | 2,025 | 226 | 2,251 | (226) | 2,025 |
| Health & Community Protection | 2,691 | (615) | 2,076 | 615 | 2,691 |
| Housing & Property Services | 1,526 | (828) | 698 | 1,010 | 1,708 |
| Housing Revenue Account | (49,816) | 42,888 | (6,928) | (42,888) | (49,816) |
| Neighbourhood Services | 3,437 | (366) | 3,071 | 366 | 3,437 |
| Strategic Leadership | 1,392 | 68 | 1,460 | (68) | 1,392 |
| Net Costs of Services | (32,086) | 39,251 | 7,165 | (39,069) | (31,904) |
| Other Income and Expenditure | (11,867) | 5,010 | (6,857) | (5,192) | (12,049) |
| (Surplus) or Deficit | (43,953) | 44,261 | 308 | (44,261) | (43,953) |
| Opening General Fund and HRA Balance | | | (42,291) | | |
| Less / Plus Surplus / (Deficit) on General Fund and HRA Balance in Year | | | 308 | | |
| Closing General Fund and HRA Balance at 31 March * | | | (41,983) | | |

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

| | 2015/16 | | | | |
|---|-------------------------------------|--|---|--|---|
| Portfolio: | As Reported for Resource Management | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cultural Services | 5,530 | (2,929) | 2,601 | 2,929 | 5,530 |
| Development Services & Business | 1,901 | (598) | 1,303 | 598 | 1,901 |
| Finance | 2,012 | 1,700 | 3,712 | (1,700) | 2,012 |
| Health & Community Protection | 3,059 | (928) | 2,131 | 928 | 3,059 |
| Housing & Property Services | 396 | 457 | 853 | (288) | 565 |
| Housing Revenue Account | (31,763) | 27,975 | (3,788) | (27,975) | (31,763) |
| Neighbourhood Services | 4,666 | (1,836) | 2,830 | 1,836 | 4,666 |
| Strategic Leadership | 1,602 | (369) | 1,233 | 369 | 1,602 |
| Net Costs of Services | (12,597) | 23,472 | 10,875 | (23,303) | (12,428) |
| Other Income and Expenditure | (12,878) | 1,815 | (11,063) | (1,984) | (13,047) |
| (Surplus) or Deficit | (25,475) | 25,287 | (188) | (25,287) | (25,475) |
| Opening General Fund and HRA Balance | | | (42,103) | | |
| Less / Plus Surplus / (Deficit) on General Fund and HRA Balance in Year | | | (188) | | |
| Closing General Fund and HRA Balance at 31 March * | | | (42,291) | | |

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2015/16 (Restated) | | | | 2016/17 | | | |
|----------------------------|-----------------------|--------------------------|---|---------|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Portfolio: | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 9,004 | (3,474) | 5,530 | Cultural Services | | 7,438 | (3,421) | 4,017 |
| 5,243 | (3,342) | 1,901 | Development Services & Business | | 5,406 | (2,764) | 2,642 |
| 33,851 | (31,839) | 2,012 | Finance | | 32,114 | (30,089) | 2,025 |
| 3,676 | (617) | 3,059 | Health & Community Protection | | 3,307 | (616) | 2,691 |
| 1,828 | (1,263) | 565 | Housing & Property Services | | 2,911 | (1,203) | 1,708 |
| (3,692) | (28,071) | (31,763) | Housing Revenue Account | | (21,978) | (27,838) | (49,816) |
| 10,881 | (6,215) | 4,666 | Neighbourhood Services | | 9,514 | (6,077) | 3,437 |
| 2,131 | (529) | 1,602 | Strategic Leadership | | 2,004 | (612) | 1,392 |
| 62,922 | (75,350) | (12,428) | Cost of Services - continuing operations | | 40,716 | (72,620) | (31,904) |
| 2,211 | (527) | 1,684 | Other Operating Income and Expenditure | 11 | 2,276 | (1,762) | 514 |
| 6,605 | (3,982) | 2,623 | Financing and Investment Income and Expenditure | 12 | 6,456 | (1,152) | 5,304 |
| - | (17,354) | (17,354) | Taxation and Non-Specific Grant Income and Expenditure | 13 | - | (17,867) | (17,867) |
| | | (25,475) | (Surplus) or Deficit on Provision of Services | | | | (43,953) |
| | | | Other Comprehensive Income and Expenditure: | | | | |
| | | (17,405) | (Surplus) or Deficit on revaluation of Property, Plant and Equipment assets | 23 | | | (21,683) |
| | | 17 | Surplus or deficit on revaluation of available for sale financial assets | 23 | | | (15) |
| | | (13,874) | Remeasurement of the net defined benefit liability / (asset) | 23 | | | 2,060 |
| | | (31,262) | Other Comprehensive Income and Expenditure | | | | (19,638) |
| | | (56,737) | Total Comprehensive Income and Expenditure | | | | (63,591) |

MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipt Reserves £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|--|-------------------------------------|--|---|--------------------------------------|---|--------------------------------------|-------------------------------|---|
| 2015/16 (Restated) | | | | | | | | |
| Balance at 31 March 2015 | 19,090 | 23,013 | 5,584 | 2,599 | 1,067 | 51,353 | 163,270 | 214,623 |
| Movement in reserves during 2015/16 | | | | | | | | |
| Total Comprehensive Income and Expenditure | (2,097) | 27,572 | - | - | - | 25,475 | 31,262 | 56,737 |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 9) | 3,063 | (28,350) | 1,372 | 2,012 | (85) | (21,988) | 21,988 | - |
| Increase / (Decrease) in 2015/16 | 966 | (778) | 1,372 | 2,012 | (85) | 3,487 | 53,250 | 56,737 |
| Balance at 31 March 2016 carried forward | 20,056 | 22,235 | 6,956 | 4,611 | 982 | 54,840 | 216,520 | 271,360 |
| 2016/17 | | | | | | | | |
| Balance at 31 March 2016 | 20,056 | 22,235 | 6,956 | 4,611 | 982 | 54,840 | 216,520 | 271,360 |
| Movement in reserves during 2016/17 | | | | | | | | |
| Total Comprehensive Income and Expenditure | (2,969) | 46,922 | - | - | - | 43,953 | 19,638 | 63,591 |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 9) | 288 | (44,549) | (270) | 2,171 | (481) | (42,841) | 42,841 | - |
| Increase / (Decrease) in 2016/17 | (2,681) | 2,373 | (270) | 2,171 | (481) | 1,112 | 62,479 | 63,591 |
| Balance at 31 March 2017 carried forward | 17,375 | 24,608 | 6,686 | 6,782 | 501 | 55,952 | 278,999 | 334,951 |

BALANCE SHEET

These financial statements replace the unaudited financial statements certified by the Head of Finance on 5 June 2017.

| 31 March 2016 £'000 | | Notes | 31 March 2017 £'000 |
|---------------------------|---|-------|---------------------------|
| | Operational Assets: | | |
| 369,905 | Property, Plant and Equipment | 14 | 435,019 |
| 8,255 | Heritage Assets | 15 | 8,271 |
| 11,477 | Investment Properties | 16 | 11,425 |
| 47 | Intangible Assets | | 46 |
| 862 | Long Term Debtors | 17 | 866 |
| 390,546 | LONG TERM ASSETS | | 455,627 |
| 31,361 | Short Term Investments | 17 | 35,695 |
| 796 | Assets Held for Sale | 18 | 122 |
| 25 | Inventories | | 16 |
| 4,224 | Short Term Debtors | 19 | 4,286 |
| 29,463 | Cash and Cash Equivalents | 20 | 35,758 |
| 65,869 | CURRENT ASSETS | | 75,877 |
| (8,280) | Short Term Creditors | 21 | (16,140) |
| (1,084) | Provision Liabilities payable in less than 1 year | 22 | (2,819) |
| (9,364) | CURRENT LIABILITIES | | (18,959) |
| (3,707) | Provision Liabilities payable in more than 1 year | 22 | (1,482) |
| (136,209) | Long Term Borrowing | 17 | (136,209) |
| (12) | Other Long Term Liabilities | 17 | (79) |
| (1,596) | Capital External Grants/Contributions in Advance | 30 | (1,886) |
| (34,167) | Net Pensions Liability | 35 | (37,938) |
| (175,691) | LONG TERM LIABILITIES | | (177,594) |
| 271,360 | NET ASSETS | | 334,951 |
| 54,840 | Usable Reserves | | 55,952 |
| 216,520 | Unusable Reserves | 23 | 278,999 |
| 271,360 | TOTAL RESERVES | | 334,951 |

CASH FLOW STATEMENT

| 2015/16 £'000 | | Notes | 2016/17 £'000 |
|------------------|--|-------|------------------|
| (25,475) | Net (Surplus) or deficit on the provision of services | | (43,953) |
| 7,737 | Adjust net (surplus) or deficit on the provision of services for noncash movements | 24 | 20,158 |
| 5,145 | Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | 24 | 5,703 |
| (12,593) | Net cash flows from Operating Activities | | (18,092) |
| 6,410 | Investing Activities | 25 | 10,486 |
| 34 | Financing Activities | 26 | 1,311 |
| (6,149) | Net (increase) or decrease in cash and cash equivalents | | (6,295) |
| (23,314) | Cash and cash equivalents at the beginning of the reporting period | | (29,463) |
| (29,463) | Cash and cash equivalents at the end of the reporting period | | (35,758) |

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

General Principles

The content, layout and general rules used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2016/17 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of Income and Expenditure

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

Exceptions to the above rule include items paid for on an annual or periodic basis (e.g. subscriptions, insurance premiums, etc.) where the accounts still show an annual equivalent cost. Housing benefit payments are paid every four weeks. Where a payment run spans the yearend it is accounted for in the year that it is included in the Government's annual Housing Benefit Subsidy claim so that income and expenditure are recorded in the same period. It is not expected that these exceptions are material to the overall accounting position.

Cash and Cash Equivalents

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

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.

Council Tax and Non-Domestic Rates

The Council, as a billing authority, acts as an agent collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as a principal, collecting council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative

NOTES TO THE ACCOUNTS

framework, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Local Government Pension Scheme

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

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

Events After the Balance Sheet Date

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

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

NOTES TO THE ACCOUNTS

Fair Value

The Council values its assets at fair value. This is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In 2016/17 fair value affects only non-operational property, plant and equipment classified as surplus assets and financial instruments.

The Council uses appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates and reducing subjective or uncertain valuations.

The Council assesses the level of uncertainty in its valuations by assigning its assets into three categories:

- Level 1 – quoted prices of identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable, either directly or indirectly;
- Level 3 – unobservable inputs.

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.

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.

Foreign Currency Translation

Transactions denominated in a foreign currency are converted into sterling at the exchange rate applicable on the date the transaction was effective.

Government Grants and Contributions

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

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

NOTES TO THE ACCOUNTS

Heritage Assets

All the Council's heritage assets are held due to their cultural, environmental or historical associations making their preservation for future generations important.

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.

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 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, 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 are posted to the service lines in the Comprehensive Income and Expenditure Statement. Gains or losses arising on the disposal or abandonment of an intangible asset are posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are 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.

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.

Inventories and long-term contracts

Inventories are materials or supplies that will be consumed in producing goods or services. Stocks are valued at the cost the Council paid for them. This method of valuing stocks is different from the method set out by the CIPFA Code. This does not have a major effect on the financial statements.

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.

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.

NOTES TO THE ACCOUNTS

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. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

Operating Leases

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

The Council as Lessor

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

NOTES TO THE ACCOUNTS

Operating Leases

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

Overheads and Support Services

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

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

Property, Plant and Equipment

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

Recognition

In 2016/17 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.

NOTES TO THE ACCOUNTS

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 2016/17 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, 1st April 2016 or 31st March 2017 valuations. Housing Revenue Account property values are based on 1st April 2017 valuations.

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.

Impairment

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

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.

NOTES TO THE ACCOUNTS

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.

For the first five years of the Self Financing regime of which 2016/17 is the final year, depreciation on Council Housing stock continues 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. The rest of the assets in the Housing Revenue Account e.g. shops, garages, offices etc. each asset have their components separately depreciated but only where there is likely to be a significant change to the depreciation levied on the whole asset.

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

NOTES TO THE ACCOUNTS

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 2017 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.

Provisions and Contingent Liabilities

Provisions

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

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

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

Contingent Liabilities

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

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund

NOTES TO THE ACCOUNTS

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.

Revenue Expenditure Funded From Capital Under Statute

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

Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. The Council is subject to Partial Exemption. This means that, as long as the VAT the Council claims on purchases used to generate exempt incomes is less than 5% of all VAT claimed on purchases in the year, the Council can claim all of its VAT back in full.

Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of some Certificate of Deposit investments which are valued on a mid-price basis at 31st March 2017.

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

For 2016/17 the following accounting policy changes that need to be reported relate to:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration.

It is not expected that any of the above amendments will have a material impact on the information in the financial statements.

3. Critical Judgements in Applying Accounting Policies

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

- Uncertainty around future funding levels is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council has entered into joint ventures with PSP Warwick LLP and Waterloo Housing Association. An assessment has been undertaken of the relationship with

NOTES TO THE ACCOUNTS

these parties. There is a group relationship with PSP Warwick LLP but transactions during 2016/17 were not considered material for the Council and group accounts have not been prepared on this basis. There was no group relationship with Waterloo Housing Association.

- All of the Council's Surplus Property Assets and Investment Properties were revalued in 2015/16 with a further revaluation of some of the Investment Properties in 2016/17 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 also equates to a level 1 input.
- The balance sheet values for the Council's housing stock and other Housing Revenue Account non-current assets, with the exception of equipment and work in progress, are based on a valuation date of 1st April 2017 as these assets are revalued every year for HRA business plan purposes. This valuation date is treated as a proxy for 31st March in order to show the latest up to date values in the balance sheet. The Council is not aware of any event, economic or otherwise that would have materially affected the 1st April 2017 valuation such as to make it inappropriate to use as a proxy for 31st March 2017.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets. | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £249k for every year that the useful lives had to be reduced.</p> |
| Provisions | The Council has made provisions for insurance cover in respect of outstanding claims from the public and HRA tenants. The extent of the provisions relates to the excess | An increase over the forthcoming year of 10% in settlements would have the effect of adding £282,000 to the provisions needed. |

NOTES TO THE ACCOUNTS

on existing claims as at 31 March 2017 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.

| | | |
|--------------------|--|--|
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> | <p>The Pensions actuary will set the employer's pension contribution rates to ensure that pension liabilities are met.</p> |
| Arrears | <p>At 31 March 2017, the Council had a balance of arrears of Housing Rents, Council Tax and other sundry debtors for £5.31m. A review of the above suggested that an impairment of doubtful debts of 43.0% (£2.28m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p> | <p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2.28m to be set aside as an allowance.</p> |

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 17 August 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Council does not invest directly in equity shares but from 2017/18 the Council will be investing in Corporate Equity Funds and any year end price fluctuations in these funds will be managed through the use of the Financial Instruments Available For Sale Reserve thus ensuring no impact on the General Fund. The Council will also establish a reserve financed from the additional investment interest that these vehicles are expected to generate.

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Initially this reserve will be used to finance any losses resulting from premature redemptions within the fund thus reducing the impact on the General Fund although the Council's policy will be to retain its investments in such funds for at least 5 years in order to achieve the optimum investment returns and minimising the risk to the capital value from stock market price falls. The Financial Instruments Available For Sale Reserve is due for abolition in 2018/19 and any year end price fluctuations from then on will need to be charged to the General Fund. It is intended that this new reserve will also manage these to ensure the minimum impact on the General Fund.

The tragic fire that recently occurred at Grenfell Tower in London, the severity of which has been attributed to the type of material with which the building had been clad, has raised the question as to whether any of this Council's high and medium rise blocks of flats are clad with a similar material and whether this would have a material impact on the value of the Housing Stock in the Balance Sheet which is £11.972m on a EUV-SH basis.

The Council has 7 high rise and 2 medium rise blocks of which 5 are clad. The cladding has been inspected and is not of the type used on Grenfell Tower. Various fire prevention improvement works have been identified which are being carried out in the near term and will be in place by the end of 2017/18.

The Council's valuers, Carter Jonas, have been asked for their opinion on whether the value stated in the Balance Sheet should be adjusted in any way to reflect the consequences of this issue and their view is that in the short term there may be an immediate drop in the value of all high rise flats due to a loss in confidence by prospective purchasers but that as more blocks have their safety confirmed and confidence returns to the market they would expect values to recover. In their view this, coupled with the facts that a) the Council's blocks are not clad with the suspect material and b) the fire prevention works that are being carried out, will restore the value of the Council's stock to the current valuation shown in the Balance Sheet during 2017/18 and therefore no impairment needs to be recognised.

6. Prior Year Restatements

Comprehensive Income and Expenditure Statement

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the 2015/16 net expenditure and income has been restated:

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| | Central Services to the Public £'000 | Cultural and Related Services £'000 | Environmental & Regulatory Services £'000 | Planning Services £'000 | Highways & Transport Services £'000 | Local Authority Housing (HRA) £'000 | Other Housing Services £'000 | Corporate & Democratic Core £'000 | Non-Distributed Costs £'000 | Support Services £'000 | Cost of Services £'000 |
|---|---|--|--|----------------------------|--|--|---------------------------------|--------------------------------------|--------------------------------|---------------------------|---------------------------|
| GROSS EXPENDITURE | | | | | | | | | | | |
| Cultural Services | - | 7,844 | - | - | - | - | - | - | - | 1,160 | 9,004 |
| Development Services & Business | 214 | 726 | - | 4,207 | 96 | - | - | - | - | - | 5,243 |
| Finance | 1,886 | 56 | - | 45 | - | - | 31,017 | 795 | 52 | - | 33,851 |
| Health & Community Protection | - | - | 2,174 | 1,502 | - | - | - | - | - | - | 3,676 |
| Housing & Property Services | - | - | 659 | 5 | 196 | - | 2,388 | - | - | (1,420) | 1,828 |
| Housing Revenue Account | - | - | - | - | - | (3,790) | - | 73 | 25 | - | (3,692) |
| Neighbourhood Services | - | 3,179 | 5,806 | - | 1,896 | - | - | - | - | - | 10,881 |
| Strategic Leadership | 903 | - | - | 83 | 41 | - | - | 1,080 | - | 24 | 2,131 |
| Reallocation of Support Services | (11) | (44) | (32) | (22) | (8) | - | (111) | (7) | (1) | 236 | - |
| TOTAL GROSS EXPENDITURE | 2,992 | 11,761 | 8,607 | 5,820 | 2,221 | (3,790) | 33,294 | 1,941 | 76 | - | 62,922 |
| GROSS INCOME | | | | | | | | | | | |
| Cultural Services | - | (3,474) | - | - | - | - | - | - | - | - | (3,474) |
| Development Services & Business | (316) | (236) | - | (2,743) | (47) | - | - | - | - | - | (3,342) |
| Finance | (775) | - | - | - | - | - | (30,946) | (118) | - | - | (31,839) |
| Health & Community Protection | - | - | (499) | (118) | - | - | - | - | - | - | (617) |
| Housing & Property Services | - | - | (77) | (2) | - | - | (1,184) | - | - | - | (1,263) |
| Housing Revenue Account | - | - | - | - | - | (28,071) | - | - | - | - | (28,071) |
| Neighbourhood Services | - | (1,023) | (2,019) | - | (3,173) | - | - | - | - | - | (6,215) |
| Strategic Leadership | (417) | - | - | (7) | (48) | - | - | (57) | - | - | (529) |
| TOTAL GROSS INCOME | (1,508) | (4,733) | (2,595) | (2,870) | (3,268) | (28,071) | (32,130) | (175) | - | - | (75,350) |
| NET EXPENDITURE / (INCOME) | | | | | | | | | | | |
| Cultural Services | - | 4,370 | - | - | - | - | - | - | - | 1,160 | 5,530 |
| Development Services & Business | (102) | 490 | - | 1,464 | 49 | - | - | - | - | - | 1,901 |
| Finance | 1,111 | 56 | - | 45 | - | - | 71 | 677 | 52 | - | 2,012 |
| Health & Community Protection | - | - | 1,675 | 1,384 | - | - | - | - | - | - | 3,059 |
| Housing & Property Services | - | - | 582 | 3 | 196 | - | 1,204 | - | - | (1,420) | 565 |
| Housing Revenue Account | - | - | - | - | - | (31,861) | - | 73 | 25 | - | (31,763) |
| Neighbourhood Services | - | 2,156 | 3,787 | - | (1,277) | - | - | - | - | - | 4,666 |
| Strategic Leadership | 486 | - | - | 76 | (7) | - | - | 1,023 | - | 24 | 1,602 |
| Reallocation of Support Services | (11) | (44) | (32) | (22) | (8) | - | (111) | (7) | (1) | 236 | - |
| TOTAL NET EXPENDITURE / (INCOME) | 1,484 | 7,028 | 6,012 | 2,950 | (1,047) | (31,861) | 1,164 | 1,766 | 76 | - | (12,428) |

NOTES TO THE ACCOUNTS

Movement in Reserves Statements

The CIPFA Code of Local Authority Accounting in the UK 2016/17 requires the total General Fund Balance and total Housing Revenue Account Balance be presented. In the past, it was recommended that Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserves be separately presented. The 2015/16 Movement in Reserves Statement has been restated for this change.

| | General Fund Balance as previously stated £'000 | Earmarked General Fund Reserves as previously stated £'000 | General Fund Balance Restated £'000 | Housing Revenue Account Balance as previously stated £'000 | Housing Revenue Account Reserves as previously stated £'000 | Housing Revenue Account Balance Restated £'000 |
|---|---|---|--|--|---|---|
| 2015/16 (Restated) | | | | | | |
| Balance at 31 March 2015 | 2,104 | 16,986 | 19,090 | 1,353 | 21,660 | 23,013 |
| Movement in reserves during 2015/16 | | | | | | |
| Total Comprehensive Income and Expenditure | (2,097) | - | (2,097) | 27,572 | - | 27,572 |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 10) | 3,063 | - | 3,063 | (28,350) | - | (28,350) |
| Increase / (Decrease) before transfers to Earmarked Reserves | 966 | - | 966 | (778) | - | (778) |
| Transfer to from earmarked funds | (1,260) | 1,260 | - | 811 | (811) | - |
| Balance at 31 March 2016 carried forward | 1,810 | 18,246 | 20,056 | 1,386 | 20,849 | 22,235 |

Note 19 Debtors

In the Statement of Accounts 2015/16 debtors and bad debt provisions were shown separately. The Code of Practice requires the debtors to be shown net of any bad debt provisions. The 2015/16 position has been restated as follows:

| | 31 March 2016 £000 | Bad Debts Provisions £000 | Restated 31 March 2016 £000 |
|------------------------------------|-----------------------|---------------------------------|-----------------------------------|
| Debtors: | | | |
| Central Government Bodies | 1,090 | - | 1,090 |
| Other Local Authorities | 515 | (8) | 507 |
| NHS Bodies | 2 | - | 2 |
| Other Entities and Individuals | 4,804 | (2,179) | 2,625 |
| TOTAL DEBTORS | 6,411 | (2,187) | 4,224 |
| Bad Debt Provisions: | | | |
| Council Tax Payers | (93) | 93 | - |
| Business Rate Payers | (200) | 200 | - |
| Housing Tenants | (883) | 883 | - |
| Housing Benefits - Rent Allowances | (815) | 815 | - |
| Other Debtors | (196) | 196 | - |
| TOTAL BAD DEBT PROVISIONS | (2,187) | 2,187 | - |
| NET SHORT TERM DEBTORS | 4,224 | - | 4,224 |

NOTES TO THE ACCOUNTS

7. Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis
2016/17

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

Adjustments between Funding and Accounting Basis
2015/16

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts | Adjustments for Capital Purposes (Note 1) | Net change for the Pensions Adjustment (Note 2) | Other Adjustments (Note 3) | Total Adjustments (Note 3) |
|--|---|---|----------------------------|----------------------------|
| | £000 | £000 | £000 | £000 |
| Cultural Services | (2,674) | (238) | (17) | (2,929) |
| Development Services & Business | (335) | (269) | 6 | (598) |
| Finance | 1,356 | 320 | 24 | 1,700 |
| Health & Community Protection | (746) | (182) | - | (928) |
| Housing & Property Services | 437 | (141) | 161 | 457 |
| Housing Revenue Account | 28,133 | (150) | (8) | 27,975 |
| Neighbourhood Services | (1,639) | (198) | 1 | (1,836) |
| Strategic Leadership | (89) | (281) | 1 | (369) |
| Net Cost Of Services | 24,443 | (1,139) | 168 | 23,472 |
| Other income and expenditure from the Expenditure and Funding Analysis | 2,462 | (1,471) | 824 | 1,815 |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 26,905 | (2,610) | 992 | 25,287 |

Adjustments for Capital Purposes

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

NOTES TO THE ACCOUNTS

Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Changes for the Pensions Adjustments

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

Other Differences

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

NOTES TO THE ACCOUNTS

Segmental Income

Income received on a segmental basis is analysed below:

| Portfolio | 2016/17 Income from Services £000 | 2015/16 Income from Services £000 |
|---|---|---|
| Culture | 3,422 | 3,715 |
| Development Services & Business | 2,748 | 2,938 |
| Finance | 459 | 627 |
| Health & Community Protection | 616 | 637 |
| Housing & Property Services | 1,173 | 2,034 |
| Housing Revenue Account | 27,838 | 28,070 |
| Neighbourhood | 6,077 | 6,551 |
| Strategic Leadership | 578 | 581 |
| Total income analysed on a segmental basis | 42,911 | 45,153 |

8. Expenditure and Income Analysed by Nature

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

| Expenditure / Income | 2016/17 £000 | 2015/16 £000 |
|--|-----------------|-----------------|
| Expenditure | | |
| Employee benefits expenses | 1,711 | 2,745 |
| Other services expenses | 69,888 | 70,322 |
| Depreciation, amortisation and impairment | (29,190) | (10,501) |
| Interest payments | 4,767 | 4,767 |
| Precepts and Levies | 1,306 | 1,233 |
| Payments to Housing Capital Receipts Pool | 970 | 978 |
| Total Expenditure | 49,452 | 69,544 |
| Income | | |
| Fees, charges and other service income | (42,911) | (45,153) |
| Gain on the disposal of assets | (1,762) | (527) |
| Interest and investment income | (536) | (528) |
| Income from Council Tax and Business Rates | (12,976) | (11,483) |
| Government grants and contributions | (35,220) | (37,328) |
| Total Income | (93,405) | (95,019) |
| Surplus or Deficit on the Provision of Services | (43,953) | (25,475) |

NOTES TO THE ACCOUNTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve 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.

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.

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

2016/17

| | Usable Reserves | | | | |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipt Reserves £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 |
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| ■ Pensions costs (transferred to (or from) the Pensions Reserve) | (1,485) | (226) | - | - | - |
| ■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account) | 4,744 | - | - | - | - |
| ■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve) | (1) | (5) | - | - | - |
| ■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (3,275) | 30,146 | - | - | 481 |
| Total Adjustments to the Revenue Account | (17) | 29,915 | - | - | 481 |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | - | 5,003 | (5,003) | - | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | (969) | - | 969 | - | - |
| Posting of HRA resources from Revenue to the Major Repairs Reserve | - | 6,135 | - | (6,135) | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 698 | 3,496 | - | - | - |
| Total Adjustments between Revenue and Capital Resources | (271) | 14,634 | (4,034) | (6,135) | - |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | - | 4,304 | - | - |
| Use of the Major Repairs Reserve to finance capital expenditure | - | - | - | 3,964 | - |
| Total Adjustments to Capital Resources | - | - | 4,304 | 3,964 | - |
| Total Adjustments | (288) | 44,549 | 270 | (2,171) | 481 |

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 |
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | | |
| ■ Pensions costs (transferred to (or from) the Pensions Reserve) | (2,286) | (324) | - | - | - |
| ■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account) | 133 | - | - | - | - |
| ■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve) | 7 | (8) | - | - | - |
| ■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (1,879) | 12,227 | - | - | 85 |
| Total Adjustments to the Revenue Account | (4,025) | 11,895 | - | - | 85 |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 482 | 4,008 | (4,490) | - | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | (977) | - | 977 | - | - |
| Posting of HRA resources from Revenue to the Major Repairs Reserve | - | 5,886 | - | (5,886) | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 1,457 | 6,561 | - | - | - |
| Total Adjustments between Revenue and Capital Resources | 962 | 16,455 | (3,513) | (5,886) | - |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | - | 2,141 | - | - |
| Use of the Major Repairs Reserve to finance capital expenditure | - | - | - | 3,874 | - |
| Total Adjustments to Capital Resources | - | - | 2,141 | 3,874 | - |
| Total Adjustments | (3,063) | 28,350 | (1,372) | (2,012) | 85 |

NOTES TO THE ACCOUNTS

10. Movements In Earmarked Reserves

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 2016/17.

| | Balance at 1 April 2015 £'000 | Transfers Out 2015/16 £'000 | Transfers In 2015/16 £'000 | Balance at 31 March 2016 £'000 | Transfers Out 2016/17 £'000 | Transfers In 2016/17 £'000 | Balance at 31 March 2017 £'000 |
|--|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
| General Fund: | | | | | | | |
| Art Fund Reserve | 64 | - | 3 | 67 | - | 4 | 71 |
| Art Gallery Gift Reserve | 57 | - | - | 57 | - | - | 57 |
| Building Control Reserve | 293 | (44) | - | 249 | (20) | - | 229 |
| Business Rate Retention Volatility Res | 3,402 | (49) | - | 3,353 | (3,658) | 750 | 445 |
| Capital Investment Reserve | 3,551 | (1,325) | 821 | 3,047 | (1,532) | 318 | 1,833 |
| Car Parks Repairs & Maintenance Reserve | 219 | - | 286 | 505 | (38) | 323 | 790 |
| Cemetery Land Purchase Reserve | - | - | - | - | - | 3 | 3 |
| Community Forums Reserve | 136 | (17) | - | 119 | (48) | - | 71 |
| Corporate Assets Reserve | 1,338 | (66) | 570 | 1,842 | (38) | 575 | 2,379 |
| Covent Garden Multi Storey Reserve | - | - | 900 | 900 | - | - | 900 |
| Earmarked Balances Reserve | 639 | (639) | 381 | 381 | (381) | 288 | 288 |
| Election Expenses Reserve | 95 | (80) | - | 15 | - | 30 | 45 |
| Energy Management Reserve | 98 | - | 5 | 103 | - | 5 | 108 |
| Enterprise Projects Reserve | 21 | - | 38 | 59 | - | 23 | 82 |
| Equipment Renewals Reserve | 456 | - | 374 | 830 | (48) | - | 782 |
| G M Commuted Sums Reserve | 282 | (78) | 334 | 538 | (97) | 107 | 548 |
| GF Early Retirements Reserve | 85 | (82) | 100 | 103 | (217) | 147 | 33 |
| Gym Equipment Replacement Reserve | 94 | (1) | 30 | 123 | (123) | - | - |
| Hill Close Gardens Reserve | - | - | 80 | 80 | (20) | - | 60 |
| ICT Replacement Reserve | 1,029 | (167) | 3 | 865 | (358) | - | 507 |
| Insurance Reserve | 322 | - | - | 322 | (30) | - | 292 |
| Leisure Options Reserve | - | - | - | - | (383) | 2,440 | 2,057 |
| Local Plan Delivery Reserve | 237 | (84) | - | 153 | (4) | - | 149 |
| Planning Appeal Reserve | 514 | (154) | 204 | 564 | (244) | 150 | 470 |
| Public Amenity Reserve | 838 | (90) | - | 748 | (209) | - | 539 |
| Public Open Space Planning Gain Reserve | 350 | - | 576 | 926 | (251) | 283 | 958 |
| Rent Bond Scheme Reserve | 22 | - | - | 22 | - | - | 22 |
| Revenue Grants / Contributions Received in Advance | 852 | (125) | 47 | 774 | (107) | 53 | 720 |
| Right to Bid Reserve | 20 | - | - | 20 | - | - | 20 |
| Right to Challenge Reserve | 26 | - | - | 26 | - | - | 26 |
| Riverside House Maintenance Reserve | - | - | 30 | 30 | - | - | 30 |
| Services Transformation Reserve | 1,902 | (716) | 200 | 1,386 | (321) | 158 | 1,223 |
| Tourism Reserve | 44 | (5) | - | 39 | - | - | 39 |
| TOTAL GENERAL FUND | 16,986 | (3,722) | 4,982 | 18,246 | (8,127) | 5,657 | 15,776 |
| HRA: | | | | | | | |
| HRA Capital Investment Reserve | 21,541 | (6,204) | 5,388 | 20,725 | (3,392) | 5,599 | 22,932 |
| HRA Early Retirements Reserve | 109 | (3) | 8 | 114 | (20) | 8 | 102 |
| HRA Earmarked Reserves | - | - | - | - | - | 164 | 164 |
| HRA Rev Grants/Contribs In Advance Res | 10 | - | - | 10 | - | - | 10 |
| TOTAL HRA | 21,660 | (6,207) | 5,396 | 20,849 | (3,412) | 5,771 | 23,208 |
| TOTAL EARMARKED RESERVES | 38,646 | (9,929) | 10,378 | 39,095 | (11,539) | 11,428 | 38,984 |

NOTES TO THE ACCOUNTS

The purpose of the significant earmarked reserves are:

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

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

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

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

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

11. Other Operating Income and Expenditure

| Gross Expenditure 2015/16 £'000 | Gross Income 2015/16 £'000 | Net Expenditure 2015/16 £'000 | | Gross Expenditure 2016/17 £'000 | Gross Income 2016/17 £'000 | Net Expenditure 2016/17 £'000 |
|---------------------------------------|----------------------------------|-------------------------------------|--|---------------------------------------|----------------------------------|-------------------------------------|
| 1,233 | - | 1,233 | Parish Council Precepts | 1,306 | - | 1,306 |
| 978 | - | 978 | Payments to Govt. Housing Capital Receipts Pool | 970 | - | 970 |
| - | (527) | (527) | (Gain) or loss on the disposal of non-current assets | - | (1,762) | (1,762) |
| 2,211 | (527) | 1,684 | Total | 2,276 | (1,762) | 514 |

12. Financing and Investment Income and Expenditure

| Gross Expenditure 2015/16 £'000 | Gross Income 2015/16 £'000 | Net Expenditure 2015/16 £'000 | | Gross Expenditure 2016/17 £'000 | Gross Income 2016/17 £'000 | Net Expenditure 2016/17 £'000 |
|---------------------------------------|----------------------------------|-------------------------------------|---|---------------------------------------|----------------------------------|-------------------------------------|
| 4,767 | - | 4,767 | Interest Payable and similar charges | 4,767 | - | 4,767 |
| 1,471 | - | 1,471 | Net Interest on the net defined benefit liability | 1,203 | - | 1,203 |
| - | (528) | (528) | Interest receivable and similar income | - | (536) | (536) |
| 367 | (3,454) | (3,087) | Income and expenditure in relation to investment properties and changes in their fair value | 486 | (616) | (130) |
| 6,605 | (3,982) | 2,623 | Total | 6,456 | (1,152) | 5,304 |

13. Taxation and Non Specific Grant Income and Expenditure

| Gross Income 2015/16 £'000 | | Gross Income 2016/17 £'000 |
|----------------------------------|---|----------------------------------|
| (8,714) | Council Tax income | (9,156) |
| (2,769) | Non-domestic rates income and expenditure | (3,820) |
| (5,385) | Non-ringfenced Government Grants | (4,658) |
| (486) | Capital Grants and Contributions | (233) |
| (17,354) | Total | (17,867) |

NOTES TO THE ACCOUNTS

14. Property, Plant and Equipment

Movements on Balances

Movements in 2016/17

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

NOTES TO THE ACCOUNTS

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

Capital Commitments and Planned Works 2017/18

| | £'000 |
|---|--------|
| General Fund: | |
| Leisure Refurbishments | 11,968 |
| Pump Room Gardens Restoration | 1,179 |
| Play Area Improvement Programme | 550 |
| Acquisition of Spencer Yard premises | 300 |
| ICT Developments | 249 |
| Recycling & Refuse Containers | 176 |
| Wall Repairs Barford | 134 |
| Rural & Urban Initiatives | 126 |
| St. Peter's Multi-storey car park structural work | 120 |
| St John's Flood Alleviation Partnership | 100 |
| Housing Investment Programme: | |
| Council House Improvements / Renewal | 5,439 |
| Housing New Build / Reprovision | 840 |
| Private Sector Housing - Grants and Loans | 699 |

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 2017 following a "desktop" revaluation exercise by Carter Jonas LLP. Following the full revaluation exercise carried out on all of the General Fund property assets as at 1st April 2015, a fifth of the General Fund property assets comprising office buildings, leisure centres, public parks and open spaces were revalued as at 1st April 2016, this being the first tranche of a five year rolling programme of General Fund property valuations.

The values at 31st March 2017 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 including surplus assets in order to ascertain whether the carrying values of the General Fund property assets represent fair value at 31st March 2017. The carrying values in the Balance Sheet for those assets in the representative sample have been updated to 31st March 2017 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 some properties were revalued at 31st March 2017 as part of the representative sample previously referred to above and as such it is considered that for the purposes of

NOTES TO THE ACCOUNTS

IFRS13, the carrying value at 31st March 2017 is still 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 | - | 143 | 2,038 | 2,091 | 6,721 | - | 3,107 | 14,100 |
| Valued at fair value as at: | | | | | | | | |
| - 2016/17 | 351,171 | 58,564 | - | - | - | 127 | - | 409,862 |
| - 2015/16 | - | 10,793 | - | - | - | 185 | - | 10,978 |
| Total Cost or Valuation | 351,171 | 69,500 | 2,038 | 2,091 | 6,721 | 312 | 3,107 | 434,940 |

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 £79,000. This difference relates to the balance outstanding at 31 March 2017 on the Colour Copier and Dog Wardens Van Finance leases (see note 33) which is not included in the table above.

15. Heritage Assets

| | Decorative Arts Collection £'000 | Visual Arts Collection £'000 | Other £'000 | Total Assets £'000 |
|--------------------------|--|------------------------------------|----------------|--------------------------|
| 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 |
| Cost or Valuation | | | | |
| 1 April 2016 | 331 | 6,923 | 1,001 | 8,255 |
| Additions | - | - | 8 | 8 |
| Revaluations | - | - | 11 | 11 |
| Depreciation | - | - | (3) | (3) |
| 31 March 2017 | 331 | 6,923 | 1,017 | 8,271 |

Decorative Arts & Visual Arts Collections

The majority of the Council's collections of Decorative Arts (ceramics, porcelain, glass and other artefacts of a similar nature) and Visual Arts (paintings and drawings) were revalued by Tim Ritchie & Associates in September 2014. Those items not externally valued due to their low intrinsic worth were assigned an internal nominal value of £50. The policy is to revalue the collections every 5 years with the next valuation due in September 2019.

Other

This comprises the remainder of the Art Gallery and Museum's collections (Archaeology, Ethnography, Numismatics, Pictorial and Social History) and also the Abbey Fields Barn.

NOTES TO THE ACCOUNTS

In the case of the Art Gallery and Museum's collections some articles were valued externally as part of the September 2014 revaluation exercise referred to above but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff. During 2016/17, items amounting to £8,090 have been added to the Social History collection. The vast majority of those items acquired in 2016/17 were of a low intrinsic value, two items costing £140 and £500 respectively will be valued in due course by Tim Ritchie & Associates.

The Abbey Fields Barn was valued by Carter Jonas at 1/4/2016 at £293,000 on a depreciated replacement cost basis.

Heritage Assets: Summary of Transactions

| | 2015/16 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Cost of Additions of Heritage Assets: | | |
| Donations: | | |
| Visual Arts | 259 | - |
| Decorative Arts | 1 | - |
| Social History etc. | 6 | 8 |
| Total cost of Additions | 266 | 8 |
| Revaluation of Heritage Assets: | | |
| Abbey Fields Barn | 42 | 11 |
| Social History etc. | 31 | - |
| Total Revaluations | 73 | 11 |

16. 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:

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Rental income from investment property | 616 | 536 |
| Direct operating expenses arising from investment property | (434) | (367) |
| Net gain / (loss) | 182 | 169 |

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

NOTES TO THE ACCOUNTS

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Balance at start of the year | 11,477 | 8,942 |
| Additions: | | |
| - Subsequent expenditure | - | 8 |
| Disposals | - | (453) |
| Net gains / (losses) from fair value adjustments | (52) | 2,918 |
| Transfers: | | |
| - To / from Property, Plant and Equipment | - | 62 |
| Balance at end of year | 11,425 | 11,477 |

All of the Council's Investment Properties were revalued by Carter Jonas LLP in 2015/16 and those where rent reviews have taken place during 2016/17 have also been revalued as a consequence, the revaluations having been carried out by Carter Jonas LLP. It is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. For those properties valued in 2015/16 and 2016/17 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 also equates to a level 1 input.

Gains or losses arising from changes in fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure.

NOTES TO THE ACCOUNTS

17. Financial Instruments

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

| | Long Term | | Current | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Investments: | | | | |
| Loans and receivables | - | - | 53,018 | 44,565 |
| Available for sale financial assets | - | - | 18,437 | 16,259 |
| Total Investments | - | - | 71,455 | 60,824 |
| Debtors: | | | | |
| Loans and receivables | 866 | 855 | 5,435 | 5,599 |
| Total Debtors | 866 | 855 | 5,435 | 5,599 |
| Borrowings: | | | | |
| Financial Liabilities at amortised cost | (136,232) | (136,166) | (56) | (55) |
| Total Borrowings | (136,232) | (136,166) | (56) | (55) |
| Creditors: | | | | |
| Financial Liabilities at amortised cost | - | - | (12,056) | (11,810) |
| Total Creditors | - | - | (12,056) | (11,810) |

Income, Expense, Gains and Losses

| | 2016/17 | | | | 2015/16 | | | |
|---|--|---|--|----------------|--|---|--|----------------|
| | 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) | (4,767) | - | - | (4,767) |
| Total expense in Surplus or Deficit on the Provision of Services | (4,767) | - | - | (4,767) | (4,767) | - | - | (4,767) |
| Interest income | - | 388 | 156 | 544 | - | 469 | 59 | 528 |
| Total income in Surplus or Deficit on the Provision of Services | - | 388 | 156 | 544 | - | 469 | 59 | 528 |
| Net gain / (loss) for the year | (4,767) | 388 | 156 | (4,223) | (4,767) | 469 | 59 | (4,239) |

NOTES TO THE ACCOUNTS

Fair Values of Assets and Liabilities

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

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

For each of the categories of Financial Assets and Liabilities an assessment of the carrying amount against fair value has been made and in all cases the carrying amount was found to be equal to fair value.

18. Assets Held for Sale

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Balance outstanding at start of year | 796 | 363 |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | 79 | 443 |
| Revaluation gains | 43 | 353 |
| Assets sold | (796) | (363) |
| Balance outstanding at year-end | 122 | 796 |

19. Debtors

| | 31 March 2017 £'000 | Restated 31 March 2016 £'000 |
|---------------------------------------|------------------------|------------------------------------|
| Central Government Bodies | 864 | 1,090 |
| Other Local Authorities | 1,153 | 507 |
| NHS Bodies | 2 | 2 |
| Public Corporations and Trading Funds | 5 | - |
| Other Entities and Individuals | 2,262 | 2,625 |
| TOTAL DEBTORS | 4,286 | 4,224 |

In the Statement of Accounts 2015/16 debtors and bad debt provisions were shown separately. The Code of Practice requires the debtors to be shown net of any bad debt provisions. The 2015/16 position has been restated as shown in Note 6.

NOTES TO THE ACCOUNTS

20. Cash and Cash Equivalents

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|------------------------|------------------------|
| Cash held by the Council | (2) | - |
| Bank current accounts | 434 | 558 |
| Short term deposits with Money Market Funds | 35,326 | 28,905 |
| Total Cash and Cash Equivalents | 35,758 | 29,463 |

21. Creditors

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|--------------------------------|------------------------|------------------------|
| Central Government Bodies | 6,628 | 1,249 |
| Other Local Authorities | 1,389 | 141 |
| Other Entities and Individuals | 8,123 | 6,890 |
| TOTAL CREDITORS | 16,140 | 8,280 |

22. Provisions

| | Land Charges £'000 | Subsidence Compensation £'000 | Business Rates Appeals £'000 | Insurances General Fund £'000 | Insurances HRA £'000 | Total £'000 |
|--|--------------------------|-------------------------------------|------------------------------------|-------------------------------------|----------------------------|----------------|
| <u>Provisions > 1 year:</u> | | | | | | |
| Balance at 1 April 2016 | - | - | 3,275 | 252 | 180 | 3,707 |
| Additional provisions made in 2016/17 | - | - | 643 | 47 | - | 690 |
| Amounts used in 2016/17 | - | - | - | - | (1) | (1) |
| Amounts payable < 1 year transferred to short term creditors | - | - | (2,837) | (41) | (36) | (2,914) |
| Balance at 31 March 2017 | - | - | 1,081 | 258 | 143 | 1,482 |
| <u>Provisions < 1 year:</u> | | | | | | |
| Balance at 1 April 2016 | 186 | 117 | 704 | 38 | 39 | 1,084 |
| Additional provisions made in 2016/17 | 9 | - | - | - | - | 9 |
| Amounts used in 2016/17 | (32) | (55) | (962) | (41) | (36) | (1,126) |
| Unused amounts reversed in 2016/17 | - | (62) | - | - | - | (62) |
| Amounts payable < 1 year transferred from L/T Provision | - | - | 2,837 | 41 | 36 | 2,914 |
| Balance at 31 March 2017 | 163 | - | 2,579 | 38 | 39 | 2,819 |

Business Rates Appeals

The appeals are complex and can take several years to be decided. The total level of the provision for appeals is £9.1m. The Council's share is included in the above table. Further details can be found in the Collection Fund section of the accounts.

NOTES TO THE ACCOUNTS

23. Unusable Reserves

| 31 March 2016 £'000 | | 31 March 2017 £'000 |
|------------------------|--|------------------------|
| 35,432 | Revaluation Reserve | 56,375 |
| 788 | Deferred Capital Receipts Reserve | 788 |
| 59 | Available For Sale Financial Instruments Reserve | 74 |
| 218,238 | Capital Adjustment Account | 258,792 |
| (13) | Financial Instruments Adjustment Account | (12) |
| (34,167) | Pensions Reserve | (37,938) |
| (3,535) | Collection Fund Adjustment Account | 1,209 |
| (282) | Accumulated Absences Account | (289) |
| 216,520 | TOTAL UNUSABLE RESERVES | 278,999 |

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.

| 2015/16 £'000 | | 2016/17 £'000 | £'000 |
|------------------|--|------------------|---------------|
| 18,763 | Balance at 1 April | | 35,432 |
| 17,411 | Upward revaluation of assets | 21,688 | |
| | Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services | (5) | |
| 17,405 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | 21,683 |
| (736) | Difference between fair value depreciation and historical cost depreciation | (740) | |
| (736) | Amount written off to the Capital Adjustment Account | | (740) |
| 35,432 | Balance at 31 March | | 56,375 |

NOTES TO THE ACCOUNTS

Deferred Capital Receipts Reserve

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

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| 788 | Balance at 1 April | 788 |
| - | Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account | - |
| 788 | Balance at 31 March | 788 |

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.

| 2015/16 £'000 | | 2016/17 £'000 | £'000 |
|------------------|---|------------------|-----------|
| 76 | Balance at 1 April | | 59 |
| 59 | Upward revaluation of investments | 74 | |
| (76) | Downward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services | (59) | |
| | Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | | 15 |
| 59 | Balance at 31 March | | 74 |

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.

NOTES TO THE ACCOUNTS

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2015/16 £'000 | | 2016/17 £'000 £'000 | |
|------------------|--|-----------------------------|----------------|
| 193,037 | Balance at 1 April (credit) | | 218,238 |
| | Note: figures in brackets are debits | | |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 12,279 | - Charges for depreciation and impairment of non-current assets | 31,079 | |
| 353 | - Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments | 43 | |
| (2) | - Amortisation of intangible assets | (1) | |
| (1,776) | - Revenue expenditure funded from capital under statute | (1,836) | |
| (4,317) | - 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 | (3,285) | |
| 6,537 | | | 26,000 |
| 736 | Difference between fair value depreciation and historical cost depreciation | | 740 |
| 7,273 | Net written out amount of the cost of non-current assets consumed in the year | | 26,740 |
| | Capital Financing applied in the year: | | |
| 2,141 | - Use of the Capital Receipts Reserve to finance new capital expenditure | 4,304 | |
| 3,874 | - Use of the Major Repairs Reserve to finance new capital expenditure | 3,964 | |
| 570 | - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 917 | |
| 84 | - Application of grants to capital financing from the Capital Grants Unapplied Account | 481 | |
| 8,018 | - Capital expenditure charged against the General Fund and HRA balances | 4,194 | |
| 14,687 | | | 13,860 |
| 33 | Minimum Revenue Provision | | 6 |
| 2,918 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | (52) |
| 290 | Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | | - |
| 218,238 | Balance at 31 March | | 258,792 |

NOTES TO THE ACCOUNTS

Pensions Reserve

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| (45,431) | Balance at 1 April | (34,167) |
| 13,874 | Remeasurements of the net defined benefit liability | (2,060) |
| (4,769) | 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 | (4,109) |
| 2,159 | Employer's pensions contributions and direct payments to pensions payable in the year | 2,398 |
| (34,167) | Balance at 31 March | (37,938) |

Collection Fund Adjustment Account

| Council Tax 2015/16 £'000 | NNDR 2015/16 £'000 | Total 2015/16 £'000 | | Council Tax 2016/17 £'000 | NNDR 2016/17 £'000 | Total 2016/17 £'000 |
|---------------------------------|--------------------------|---------------------------|--|---------------------------------|--------------------------|---------------------------|
| 55 | (3,723) | (3,668) | Balance at 1 April | 71 | (3,606) | (3,535) |
| | | | 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 | | (84) | 4,828 | 4,744 |
| 71 | (3,606) | (3,535) | Balance at 31 March | (13) | 1,222 | 1,209 |

Accumulated Absences Account

| 2015/16 £'000 | | 2016/17 £'000 | 2016/17 £'000 |
|------------------|---|------------------|------------------|
| (282) | Balance at 1 April | | (282) |
| 282 | Settlement or cancellation of accrual made at the end of the preceding year | 282 | |
| (282) | Amounts accrued at the end of the current year | (289) | |
| - | 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 | | (7) |
| (282) | Balance at 31 March | | (289) |

NOTES TO THE ACCOUNTS

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| (541) | Interest received | (519) |
| 4,766 | Interest paid | 4,766 |
| 2 | 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:

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| (5,617) | Depreciation | (5,957) |
| 17,896 | Impairment and revaluations in consolidated income and expenditure | 37,038 |
| (2) | Amortisation of intangible assets | (1) |
| (949) | (Increase) / decrease in creditors | (5,589) |
| 914 | Increase / (decrease) in debtors | (566) |
| (37) | (Increase) / decrease in provision for bad debt | (100) |
| (14) | Increase / (decrease) in inventories | (9) |
| (2,610) | Movement in pension liability | (1,711) |
| (3,964) | Carrying amount of non-current assets, assets held for sale, sold or derecognised | (3,182) |
| 2,120 | Other non-cash items charged to the net surplus or deficit on the provision of services | 234 |
| 7,737 | | 20,158 |

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

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| 4,490 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,974 |
| 655 | Any other items for which the cash effects are investing or financing cash flows | 729 |
| 5,145 | | 5,703 |

NOTES TO THE ACCOUNTS

25. Cash Flow Statement – Investing Activities

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| 13,172 | Purchase of property, plant and equipment, investment property and intangible assets | 12,583 |
| 33,200 | Purchase of short-term and long-term investments | 31,178 |
| (4,490) | Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets | (4,974) |
| (34,000) | Proceeds from the sale of short-term and long-term investments | (26,903) |
| (1,473) | Other receipts from investing activities | (1,398) |
| 6,410 | Net cash flows from investing activities | 10,486 |

26. Cash Flow Statement – Financing Activities

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| 1 | Other receipts from financing activities | 744 |
| 33 | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 6 |
| - | Other payments for financing activities | 561 |
| 34 | Net cash flows from financing activities | 1,311 |

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.

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Allowances: | | |
| Basic | 212 | 216 |
| Special Responsibility | 54 | 51 |
| Chair and Vice Chair Allowances | 19 | 16 |
| Co-Optees | 1 | 1 |
| Other Allowances (Travel, Subsistence, etc.) | 7 | 9 |
| Total Allowances | 293 | 293 |

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 | 2016/17 | 111,570 | 16,042 | 127,612 |
| | 2015/16 | 126,995 | 18,033 | 145,028 |
| Deputy Chief Executive | 2016/17 | 93,684 | 13,058 | 106,742 |
| | 2015/16 | 86,190 | 12,239 | 98,429 |
| Deputy Chief Executive | 2016/17 | 87,051 | 13,058 | 100,109 |
| | 2015/16 | 86,190 | 12,239 | 98,429 |
| Head of Finance | 2016/17 | 76,749 | 11,512 | 88,261 |
| | 2015/16 | 75,990 | 10,791 | 86,781 |
| TOTALS | 2016/17 | 369,054 | 53,670 | 422,724 |
| TOTALS | 2015/16 | 375,365 | 53,302 | 428,667 |

| | Number of Employees | | Number of Employees | |
|-------------------|---------------------|-----------------|---------------------|-----------------|
| | Total 2016/17 | Left in Year | Total 2015/16 | Left in Year |
| £50,000 - £54,999 | 5 | 3 | - | - |
| £55,000 - £59,999 | 1 | - | 3 | 1 |
| £60,000 - £64,999 | 3 | - | 3 | - |
| £70,000 - £74,999 | 1 | 1 | - | - |
| £95,000 - £99,999 | 1 | 1 | - | - |

| (a) | (b) | | (c) | | (d) | | (e) | |
|---|--------------------------------------|----------|--------------------------------------|----------|--|----------|---|-----------------|
| Exit Package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band [(b) + (c)] | | Total cost of exit packages in each band | |
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| £0 - £20,000 | 5 | 1 | - | - | 5 | 1 | £53,153 | £8,486 |
| £20,001 - £40,000 | 2 | 2 | - | 1 | 2 | 3 | £57,940 | £89,210 |
| £40,001 - £60,000 | - | 3 | - | - | - | 3 | - | £138,765 |
| Total cost included in bandings and in CIES | 7 | 6 | - | 1 | 7 | 7 | £111,093 | £236,461 |

NOTES TO THE ACCOUNTS

29. External Audit Costs

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor | 54 | 54 |
| Audit Fee - Objections to Accounts | 3 | 13 |
| Fees payable to Grant Thornton for the certification of grant claims and returns | 13 | 12 |
| TOTAL PAID | 70 | 79 |

30. Grant Income

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Credited to Taxation and Non-Specific Grant Income | | |
| New Homes Bonus | (2,258) | (1,623) |
| Revenue Support Grant | (1,587) | (2,499) |
| Small Business Rate Relief Grant | (725) | (1,067) |
| Transition Grant | (40) | - |
| Self & Custom Build New Burdens Grant | (15) | - |
| Brownfields Register & PIP LA | (15) | - |
| Transparency Setup Grant | (8) | (8) |
| New Homes Bonus Returned Funding | (7) | (10) |
| Council Tax Annex Discount Grant | (3) | (2) |
| Council Tax Freeze Grant | - | (82) |
| Right to Move Grant | - | (71) |
| Council Tax Support Grant | - | (23) |
| <u>Capital Grants and Contributions:</u> | | |
| - Pump Room Gardens Redevelopment | (93) | - |
| - Victoria Park Skateboard Park | (83) | (7) |
| - Indoor & Outdoor Sports Facilities | (48) | (185) |
| - Heritage Assets | (8) | - |
| - Flood Alleviation | (1) | - |
| - S106 Contribs towards social housing & play equipment | - | (695) |
| - S106 GP Surgery Contributions | - | (525) |
| TOTAL | (4,891) | (6,797) |
| Credited to Services | | |
| DWP grants for Housing Benefits | (28,856) | (30,487) |
| Better Care Fund | (684) | (373) |
| Housing Benefit Administration Grant | (557) | (550) |
| Contribution towards NNDR Collection | (217) | (215) |
| Individual Electoral Registration | (31) | (11) |
| Local Land Charges | (9) | (128) |
| Development Control | (6) | - |
| Parliamentary Elections | (3) | - |
| Private Sector Hsg | - | (65) |
| TOTAL | (30,363) | (31,829) |
| TOTAL GRANTS | (35,254) | (38,626) |

NOTES TO THE ACCOUNTS

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

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Capital Grants / Contributions Receipts in Advance | | |
| S106 Contributions towards social housing, sports facilities & play equipment | 1,886 | 1,596 |
| TOTAL | 1,886 | 1,596 |

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.

Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts outstanding at 31 March 2017 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 2016/17 the precepts issued totalled £1,305,773 (£1,233,065 2015/16). The major preceptors were:

| | 2016/17 £'000 | 2015/16 £'000 |
|-----------------------------------|------------------|------------------|
| Warwick Town Council | 334 | 321 |
| Royal Leamington Spa Town Council | 323 | 297 |
| Kenilworth Town Council | 178 | 177 |
| Whitnash Town Council | 132 | 113 |

Council Members and Chief Officers:

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

Council Members have direct control over the Council's financial and operating policies. Grants totalling £621,400 (£501,900 2015/16) 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:

NOTES TO THE ACCOUNTS

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Saint Chad's Trust (Bishop Tachbrook Community Centre) | 321 | 129 |
| Citizens' Advice Bureau | 100 | 100 |
| Shakespeare's England | 56 | 86 |
| Warwickshire Community and Voluntary Action (CAVA) | 55 | 55 |
| Leamington Lawn & Squash Club | - | 30 |
| The Chain | 30 | 29 |
| Kenilworth Tennis, Squash and Croquet Club | - | 29 |
| Coventry & Warwickshire LEP | 29 | 20 |

Leamington Business Improvement District:

The Council acts as an agent in respect of Leamington Business Improvement District (Bid) whereby it collects the levy due on the Bid's behalf (£299,000 in 2016/17).

32. Capital Expenditure and Capital Financing

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 134,571 | 134,460 |
| Capital Investment: | | |
| Property, Plant and Equipment | 14,775 | 13,007 |
| Investment Properties | - | 8 |
| Revenue Expenditure Funded from Capital Under Statute | 1,836 | 1,776 |
| Finance Leases Principal | 79 | 12 |
| Sources of Finance: | | |
| Capital Receipts | (4,304) | (2,141) |
| Government grants and other contributions | (1,390) | (647) |
| Major Repairs Account | (3,964) | (3,874) |
| Sums set aside from revenue | (4,200) | (8,018) |
| Adjustment for expenditure where MRP is being met by Asset Life or Depreciation Methods | - | (12) |
| Closing Capital Financing Requirement | 137,403 | 134,571 |

33. Leases

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:

NOTES TO THE ACCOUNTS

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|------------------------|------------------------|
| Not later than one year | 315 | 326 |
| Later than one year and not later than five years | 1,358 | 1,404 |
| Later than five years | 800 | 820 |
| | 2,473 | 2,550 |

34. Impairment/Revaluation Losses

Within the Housing Revenue Account, as a result of generally rising house prices and also the change in the percentage factor whereby council housing stock is reduced from open market value to social housing value the Council has recognised a revaluation impairment gain amounting to £45,486,844 relating to its housing stock which has significantly reversed previous revaluation impairment losses charged to the HRA. Social housing stock is now valued at 40% of the open market value as opposed to the previous 34%. It has also recognised an impairment loss of £8,708,336 in respect of the buildings element of the new Sayer Court development due to the social housing discount factor previously mentioned.

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:

NOTES TO THE ACCOUNTS

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Comprehensive Income and Expenditure Statement | | |
| <i>Cost of Services:</i> | | |
| - current service cost | 2,906 | 3,298 |
| <i>Financing and Investment Income and Expenditure:</i> | | |
| - net interest expense | 1,203 | 1,471 |
| <i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i> | 4,109 | 4,769 |
| 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) | (16,979) | 1,233 |
| - Actuarial gains and losses arising on changes in demographic assumptions | (1,588) | - |
| - Actuarial gains and losses arising on changes in financial assumptions | 22,759 | (13,220) |
| - Other | (2,132) | (1,887) |
| <i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i> | 6,169 | (9,105) |
| 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 | (4,109) | (4,769) |
| Actual amount charged against the General Fund and HRA Balances for pensions in the year: | | |
| Employer's contributions payable to scheme | 2,398 | 2,159 |

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:

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Present value of the defined benefit obligation | 160,688 | 138,048 |
| Fair value of plan assets | (122,750) | (103,881) |
| Net liability arising from defined benefit obligation | 37,938 | 34,167 |

NOTES TO THE ACCOUNTS

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

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Opening fair value of scheme assets | 103,881 | 103,378 |
| Interest income | 3,604 | 3,284 |
| Remeasurement gain / (loss): | | |
| - The return on plan assets, excluding the amount included in the net interest expense | 16,979 | (1,233) |
| The effect of changes in foreign exchange rates | | |
| Contributions from employer | 2,398 | 2,159 |
| Contributions from employees into the scheme | 751 | 740 |
| Benefits paid | (4,863) | (4,447) |
| Closing fair value of scheme assets | 122,750 | 103,881 |

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

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Opening balance at 1 April | 138,048 | 148,809 |
| Current service cost | 2,906 | 3,298 |
| Interest cost | 4,807 | 4,755 |
| Contributions from scheme participants | 751 | 740 |
| Remeasurement (gains) / losses: | | |
| - Actuarial gains / losses arising from changes in demographic assumptions | (1,588) | - |
| - Actuarial gains / losses arising from changes in financial assumptions | 22,759 | (13,220) |
| - Other experience | (2,132) | (1,887) |
| Benefits paid | (4,863) | (4,447) |
| Closing balance at 31 March | 160,688 | 138,048 |

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

| | Period Ended 31 March 2017 | | | Period Ended 31 March 2016 | | |
|---------------------------------------|---|---|----------------|---|---|----------------|
| | 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 | 1,661 | - | 1,661 | 1,207 | - | 1,207 |
| Equity Securities (by industry type): | | | | | | |
| - Consumer | 14,284 | - | 14,284 | 11,685 | - | 11,685 |
| - Manufacturing | 5,221 | - | 5,221 | 4,357 | - | 4,357 |
| - Energy and Utilities | 2,301 | - | 2,301 | 1,989 | - | 1,989 |
| - Financial Institutions | 6,566 | - | 6,566 | 5,661 | - | 5,661 |
| - Health and Care | 4,446 | - | 4,446 | 3,463 | - | 3,463 |
| - Information Technology | 3,502 | - | 3,502 | 2,839 | - | 2,839 |
| - Other | 5,854 | - | 5,854 | 3,972 | - | 3,972 |
| Sub-total equity | 42,174 | - | 42,174 | 33,966 | - | 33,966 |
| Property: | | | | | | |
| - UK Property | 11,506 | - | 11,506 | 11,918 | - | 11,918 |
| - Overseas Property | 82 | - | 82 | 88 | - | 88 |
| Sub-total property | 11,588 | - | 11,588 | 12,006 | - | 12,006 |
| Private Equity: | | | | | | |
| - All | - | 4,317 | 4,317 | - | 2,812 | 2,812 |
| Investment Funds and Unit Trusts: | | | | | | |
| - Equities | 30,450 | - | 30,450 | 25,611 | - | 25,611 |
| - Bonds | 20,831 | - | 20,831 | 17,442 | - | 17,442 |
| - Hedge Funds | - | 5,359 | 5,359 | - | 5,170 | 5,170 |
| - Infrastructure | - | 1,479 | 1,479 | - | 915 | 915 |
| - Other | 4,891 | - | 4,891 | 4,752 | - | 4,752 |
| Sub-total Investments | 56,172 | 6,838 | 63,010 | 47,805 | 6,085 | 53,890 |
| TOTAL ASSETS | 111,595 | 11,155 | 122,750 | 94,984 | 8,897 | 103,881 |

Basis for Estimating Assets and Liabilities

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

The Warwickshire County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

NOTES TO THE ACCOUNTS

The significant assumptions used by the actuary have been:

| | 2016/17 | 2015/16 |
|--|------------|------------|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity investments | 2.6% | 3.5% |
| Bonds | 2.6% | 3.5% |
| Property | 2.6% | 3.5% |
| Cash | 2.6% | 3.5% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.5 years | 22.4 years |
| Women | 24.7 years | 24.4 years |
| Longevity at 65 for future pensioners: | | |
| Men | 24.3 years | 24.3 years |
| Women | 26.7 years | 26.6 years |
| Rate of inflation | 3.4% | 3.2% |
| Rate of increase in salaries | 3.0% | 4.2% |
| Rate of increase in pensions | 2.4% | 2.2% |
| Rate of discounting scheme liabilities | 2.6% | 3.5% |

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) | 5,522 | (5,522) |
| Rate of increase in salaries (increase or decrease by 0.5%) | 2,323 | (2,323) |
| Rate of increase in pensions (increase or decrease by 0.5%) | 12,515 | (12,515) |
| Rate for discounting scheme liabilities (increase or decrease by 0.5%) | 15,062 | (15,062) |

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The Council anticipates paying £2,257,000 expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.6 years, 2016/17 (18 years 2015/16).

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

NOTES TO THE ACCOUNTS

actuary has estimated the value of assets using the actual return on assets to December 2016 and has estimated the return on assets for January to March 2017.

36. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

The credit criteria at 1st April 2017 in respect of investments held by the Council are:

Counterparty limits

| Investment / Counterparty type: | S/term L/term | | Security / Min credit rating | Max limit per counterparty | Max. Maturity period | Proportion of Portfolio at 31st March 2017 £'000 |
|---|--------------------------------|-------------|---------------------------------|-------------------------------|-------------------------|---|
| <u>Specified instrument:</u> <u>(repayable within 12 months)</u> | (FITCH or equivalent) | | | | | |
| Bank - Private UK (includes Fixed Term Deposits,CD's, and Category 1 FRN's & Bonds) | F1 | A | UK Sovereign | £4m | 364 days | 13,825 |
| | F1 | A+ | UK Sovereign | £6m | 364 days | 10,000 |
| | F1 | AA- & above | UK Sovereign | £7m | 364 days | 11,047 |
| Corporates (Category 3 FRN'S, Bonds) | F1 | A | UK Sovereign | £4m | 364 days | 4,537 |
| | F1 | A+ | UK Sovereign | £5m | 364 days | 0 |
| | F1 | AA- & above | UK Sovereign | £6m | 364 days | 0 |
| Money Market Fund(CNAV) | AAA m / Aaa-mf/AAAmmf | | | £9m | liquid | 25,125 |
| Money Market Fund (VNAV) | AAAf S1 / Aaa-bf/ AAA/V1 | | | £6m | liquid | 6,000 |
| | | | | | Total | 70,534 |

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 2017, sundry debts outstanding stood at £2.2m of which £0.6m related to general debts and £1.6m to Housing Benefit and Council Tax Support overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.07m and £0.79m have been established in respect of the general

NOTES TO THE ACCOUNTS

debts and Housing and Council Tax Benefit Overpayments respectively. An analysis by age of the £2.2m less £0.86m bad debts provision follows:

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 559 | 1,077 |
| Four to six months | 84 | 328 |
| Seven to nine months | 79 | 60 |
| Ten to twelve months | 85 | 38 |
| More than one year | 529 | 669 |
| Total | 1,336 | 2,172 |

At 31 March 2017, outstanding arrears in respect of council house rents and charges stood at £1.261m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £0.953m has been established.

Liquidity Risk

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

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

Market Risk

Interest Rate Risk

The Council's external borrowing is made up of PWLB Fixed Rate Maturity loans with maturities of between 41 and 50 years and the average rate of the portfolio is 3.50%. This gives certainty in terms of interest payments but prevents the Council benefiting from any future reductions below this in interest rates.

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

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

The treasury management team has an active strategy for assessing interest rate exposure.

According to this assessment strategy, based on the 2016/17 out-turn a 0.25% movement upwards in interest rates would have produced an additional £0.192m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council invests in Certificates of Deposits and Corporate Bonds which are instruments where the price fluctuates, the Council manages this risk by only purchasing such investments with a relatively short term to run and by holding the investments to maturity

NOTES TO THE ACCOUNTS

thus nullifying the effect of price fluctuations as the investments are redeemed at par i.e. face value

37. Fair Value – Financial Instruments Loans and Investments

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 £221,328,548. The difference between this figure and the £136.157m carried in the balance sheet represents the premiums that would be charged for early redemption of the loans as the current interest rates are below those in force when the borrowing took place in March 2012. 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 £175,690,019 including potential premiums of £39,533,019. 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 2017 using prices supplied by its custodians, King & Shaxson Ltd. at 31st March 2017. 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.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

| 2015/16 £'000 | | Notes | 2016/17 £'000 | £'000 |
|------------------|--|-------|------------------|-----------------|
| | EXPENDITURE | | | |
| 5,852 | Repairs and Maintenance | | 5,337 | |
| 5,711 | Supervision and Management | | 5,708 | |
| 118 | Rents, Rates, Taxes and Other Charges | | 115 | |
| 215 | Increased Provision for Bad Debts | | 78 | |
| (15,735) | Depreciation and Impairment of Non-Current Assets | 5 | (33,328) | |
| 49 | Amortisation of Intangible Assets & Revenue | | - | |
| | Expenditure Funded from Capital Under Statute | | | |
| (3,790) | TOTAL EXPENDITURE | | | (22,090) |
| | INCOME | | | |
| (25,774) | Dwelling Rents | | (25,587) | |
| (822) | Non-Dwelling Rents | | (809) | |
| (846) | Charges for Services and Facilities | | (885) | |
| (629) | Contributions Towards Expenditure | | (539) | |
| (28,071) | TOTAL INCOME | | | (27,820) |
| (31,861) | Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure | | | (49,910) |
| 74 | HRA services share of Corporate and Democratic Core | | | 73 |
| 24 | HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services | | | 21 |
| (31,763) | Net Income for HRA Services | | | (49,816) |
| (550) | Gain or Loss on sale of HRA non-current assets | | (1,822) | |
| 4,766 | Interest payable and similar charges | | 4,765 | |
| 174 | Pensions Interest Cost and Expected Return on Pensions Assets | | 159 | |
| (199) | HRA Interest and Investment Income | | (208) | |
| (27,572) | (Surplus) / Deficit for the year on HRA services | | | (46,922) |

MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE STATEMENT

The 'Surplus or (Deficit) for the year on Housing Revenue Account (HRA) services' line shows the true economic cost of providing the authority's services. The 'Net Increase / (Decrease) before transfers to earmarked reserves' line shows the change in the statutory Housing Revenue Account Balance before any discretionary transfers to or from reserves undertaken by the Council.

| 2015/16 £'000 | | Notes | 2016/17 £'000 | £'000 |
|------------------|---|--------------|------------------|--------------|
| 1,353 | Balance on the HRA at the end of the previous year | | | 1,386 |
| 27,572 | Surplus or (deficit) for the year on the HRA Income and Expenditure Statement | | 46,922 | |
| (28,350) | Adjustments between accounting basis and funding basis under statute | Main Notes 9 | (44,549) | |
| (778) | Net increase or (decrease) before transfers to or from reserves | | 2,373 | |
| 811 | Transfers (to) or from reserves | | (2,359) | |
| 33 | Increase or (decrease) in year on the HRA | | | 14 |
| 1,386 | Balance on the HRA at the end of the current year | | | 1,400 |

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

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

| | 31 March 2017 Nos. | 31 March 2016 Nos. |
|-----------|-----------------------------------|-----------------------------------|
| Houses | 2,412 | 2,449 |
| Flats | 2,436 | 2,355 |
| Bungalows | 670 | 669 |
| | 5,518 | 5,473 |

The change in housing stock can be summarised as follows:

| | 2016/17 Nos. | 2015/16 Nos. |
|--|-------------------------|-------------------------|
| Housing Stock at 1 April | 5,473 | 5,495 |
| New build | 81 | - |
| Purchases | - | 21 |
| Reclassification from non-operational to operational stock | 11 | |
| Right to Buy Sales | (47) | (43) |
| | 5,518 | 5,473 |
| Housing Stock at 31 March | 5,518 | 5,473 |

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

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

| | 31 March 2017 £'000 | 1 April 2016 £'000 |
|----------------------------------|--------------------------------|-------------------------------|
| Council Dwellings | 351,171 | 282,803 |
| Other Properties | 6,564 | 6,475 |
| Land | 275 | 271 |
| Equipment | 237 | 55 |
| Assets Under Construction | 4 | 6,526 |
| Surplus Assets | - | 441 |
| Assets Held for Sale | 122 | 796 |
| | 358,373 | 297,367 |
| Total Balance Sheet Items | 358,373 | 297,367 |

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Valuation of Dwellings

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

| | 1 April 2017 £'000 | 1 April 2016 £'000 |
|--|-----------------------|-----------------------|
| Vacant Possession Value of Dwellings (Open Market Value) | 826,455 | 769,171 |
| Balance Sheet Value of Dwellings (Social Housing Value) (34.15% of Open Market Value) | 283,246 | 262,666 |
| Economic Cost to Government | 543,209 | 506,505 |

4. Summary of Capital Expenditure Funding Sources

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Usable Capital Receipts | 3,211 | 1,672 |
| Revenue and Other Contributions | 4,102 | 6,958 |
| Major Repairs Reserve | 3,964 | 3,874 |
| TOTAL CAPITAL EXPENDITURE FUNDING | 11,277 | 12,504 |

5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken for the 1st April 2017 valuation by the Council's valuers, Carter Jonas LLP. This resulted in a net increase in the value of the Council's housing stock of £56.241m. Revaluation gains of £19.462m were credited to the Housing Revenue Account Revaluation Reserve, £8.708m of revaluation losses were debited to the Housing Revenue Account arising from the construction and consequent valuation of Sayer Court and £45.487m 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 40% of the Open Market Value.

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Summary of Capital Receipts

| | 2016/17 £'000 | 2015/16 £'000 |
|-------------------------------|------------------|------------------|
| Sale of Council Houses | 4,925 | 3,307 |
| Other Non RTB Sales | 47 | 757 |
| Sale of Land | 30 | - |
| TOTAL CAPITAL RECEIPTS | 5,002 | 4,064 |

7. Depreciation of Fixed Assets

| | 2016/17 £'000 | 2015/16 £'000 |
|---------------------------|------------------|------------------|
| Council Dwellings | 2,923 | 2,639 |
| Other Buildings | 517 | 349 |
| Equipment | 11 | 25 |
| TOTAL DEPRECIATION | 3,451 | 3,013 |

8. Arrears and Provision for Bad or Doubtful Debts

| | 2016/17 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| <u>HRA Rent & Charges Arrears</u> | | |
| Current Tenant Rent Arrears | 642 | 872 |
| Former Tenant Rent Arrears | 248 | 234 |
| Dwelling Rent Arrears | 890 | 1,106 |
| Garage Rent Arrears | 5 | 8 |
| Supporting People Charge Arrears | 43 | 39 |
| Court Cost Arrears | 144 | 141 |
| Overpayment of Benefit Arrears | 179 | 187 |
| Total Arrears | 1,261 | 1,481 |
| <u>Prepayments</u> | | |
| Dwelling Rent Prepayments | (370) | (315) |
| Garage Rent Prepayments | (13) | (12) |
| Other Prepayments | (6) | (7) |
| Total Prepayments | (389) | (334) |
| Net Arrears | 872 | 1,147 |
| <u>HRA Bad Debt Provisions</u> | | |
| Rent Bad Debt Provision | (780) | (883) |
| Court Cost Bad Debt Provision | (173) | (160) |
| Total Bad Debt Provisions | (953) | (1,043) |

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.

| 2015/16 | | | 2016/17 | | |
|--|-----------------|------------------|---|-----------------|-----------------|
| Council Tax | Business Rates | Total | Notes | Council Tax | Business Rates |
| £'000 | £'000 | £'000 | | £'000 | £'000 |
| INCOME | | | | | |
| (79,858) | - | (79,858) | | (83,978) | - |
| - | (68,221) | (68,221) | | - | (70,315) |
| (79,858) | (68,221) | (148,079) | | (83,978) | (70,315) |
| Contributions towards earlier years' Collection Fund Deficit: | | | | | |
| - | (1,497) | (1,497) | | - | (4,515) |
| - | (300) | (300) | | - | (903) |
| - | (1,198) | (1,198) | | - | (3,612) |
| - | (2,995) | (2,995) | | - | (9,030) |
| (79,858) | (71,216) | (151,074) | TOTAL INCOME | (83,978) | (79,345) |
| EXPENDITURE | | | | | |
| Precepts and Demands: | | | | | |
| - | 34,224 | 34,224 | | - | 33,607 |
| 61,062 | 6,845 | 67,907 | | 64,798 | 6,721 |
| 9,569 | - | 9,569 | | 9,960 | - |
| 8,699 | 27,379 | 36,078 | | 9,184 | 26,885 |
| 79,330 | 68,448 | 147,778 | | 83,942 | 67,213 |
| Distribution of earlier years' Collection Fund Surplus: | | | | | |
| - | - | - | | 386 | - |
| - | - | - | | 61 | - |
| - | - | - | | 55 | - |
| - | - | - | | 502 | - |
| Charges to the Collection Fund: | | | | | |
| 286 | 346 | 632 | | 217 | 630 |
| - | 215 | 215 | | - | 214 |
| 100 | - | 100 | | 80 | - |
| - | 1,431 | 1,431 | | - | (796) |
| - | 465 | 465 | | - | (1) |
| - | 14 | 14 | | - | 15 |
| - | 3 | 3 | | - | - |
| 386 | 2,474 | 2,860 | | 297 | 62 |
| (142) | (294) | (436) | Net (Surplus) / Deficit for Year | 763 | (12,070) |
| (501) | 9,308 | 8,807 | (Surplus) / Deficit brought forward 1 April | (643) | 9,014 |
| (643) | 9,014 | 8,371 | (Surplus) / Deficit carried forward 31 March | 120 | (3,056) |

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 2016/17 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 | 11 | 0 | (1.90) | 9.10 | 5 / 9 | 5.06 |
| A | 4,709 | 23 | (207) | (727.90) | 3,797.10 | 6 / 9 | 2,531.40 |
| B | 11,482 | 49 | (518) | (1,353.60) | 9,659.40 | 7 / 9 | 7,512.87 |
| C | 16,567 | 5 | (455) | (1,411.80) | 14,705.20 | 8 / 9 | 13,071.29 |
| D | 12,371 | (27) | (271) | (928.30) | 11,144.70 | 9 / 9 | 11,144.70 |
| E | 7,040 | (16) | (314) | (390.00) | 6,320.00 | 11 / 9 | 7,724.44 |
| F | 4,866 | (12) | (91) | (187.90) | 4,575.10 | 13 / 9 | 6,608.48 |
| G | 3,933 | (13) | (33) | (104.80) | 3,782.20 | 15 / 9 | 6,303.67 |
| H | 418 | (20) | (9) | 34.60 | 423.60 | 18 / 9 | 847.20 |
| | 61,386 | 0 | -1,898 | (5,071.60) | 54,416.40 | | 55,749.11 |
| Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties | | | | | | | 882.60 |
| Less Council Tax Support Scheme | | | | | | | (4,752.51) |
| COUNCIL TAX BASE 2016/17 | | | | | | | 51,879.20 |

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 49.7p.

The total rateable value of properties in the Warwick District area was £164,310,437 at 31 March 2017.

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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund 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 2016/17.

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 Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Head of Finance; 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. 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 for securing economy, efficiency and effectiveness in its use of resources.

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

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 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

31 August 2017

ANNUAL GOVERNANCE STATEMENT

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require the Council to prepare an annual governance statement.
- 1.2 Governance is about how an organisation is directed and controlled in order to achieve its objectives. It therefore comprises the systems, structures and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct.
- 1.3 Good governance comprises robust systems and sound structures together with more esoteric characteristics such as effective leadership and high standards of behaviour. In short, governance is “Doing the right things, in the right way.”

2. THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

- 2.1 This Statement provides a summarised account of how our management arrangements are set up to meet the principles of good governance set out in our Constitution and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made and any weaknesses or gaps in our arrangements that need to be addressed.

3. THE COUNCIL’S GOVERNANCE FRAMEWORK

- 3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 3.2 Warwick District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.
- 3.4 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 3.5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a code of corporate governance that is consistent with the principles of the CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government that was issued in 2012. The CIPFA/SOLACE Framework was updated and re-issued during 2016, however, and the Council therefore needs to revise its Local Code to reflect the changes.

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

ANNUAL GOVERNANCE STATEMENT

- 3.7 The Council's Corporate Strategy is the Sustainable Community Strategy which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved.
- 3.8 It is complemented by the Fit For the Future change programme and together these represent the key planning documents for the Council.
- 3.9 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the council's performance appraisal system. These all include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services.
- 3.10 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Members' Codes of Conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee from 1 July 2012. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.11 The Constitution contains procedure rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team.
- 3.12 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.13 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.14 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.
- 3.15 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
 - Head of Finance being a member of Leadership Team.
 - Head of Finance having responsibility for Asset Management.
- 3.16 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior members. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has subsisted

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for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low.

- 3.17 With regard to asset management, responsibility for this comes under the Head of Housing & Property Services as that is where the expertise and the operational work lies. (Housing and Property functions are to be separated from 2017/18.)
- 3.18 The Council will continue to keep all reporting and responsibility arrangements under review and will discuss any perceived shortcomings with the Council's external auditors if and when they arise.
- 3.19 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.20 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the Council's audit committee core functions in respect of External Audit, Internal Audit and Risk Management. The Committee can, and does, request assurance from the relevant Executive member (Portfolio Holder) and/or senior manager when it has concerns or queries, or simply requires assurance, in respect of a matter relating to a particular service area.
- 3.21 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against Members.
- 3.22 The Council has policies to safeguard both itself and its staff when making decisions. An Anti-Fraud and Corruption Strategy and Policies, including the Council's Fraud Response Plan, Whistleblowing, Money Laundering and Bribery Act 2010 Policies have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by Members annually.
- 3.23 The Council has embedded Risk Management throughout its activities with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before finally reaching the Executive.
- 3.24 Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.
- 3.25 The individual performance appraisal system has been operated in the council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that are linked through to the Corporate Strategy and Fit For the Future via service objectives. The performance appraisal system also identifies developmental and training needs to ensure that appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs.

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- 3.26 In May 2015 Warwick District Council elected a new Council. The Council put in place a Member induction programme, with training sessions around the internal operation of the council and information about the council's services. All Members received Code of Conduct and IT training. The Planning and Licencing Committees held induction training for their members. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all Members, when required.
- 3.27 The Council continues to ensure it is open and accessible to the community. In 2016/17 it has:
- Published further information on the transparency section of the website to meet new guidelines.
 - Enhanced its consultation activity concerning budget setting. For example, a meeting was held with local business representatives to discuss the Council's budget proposals, along with other matters of mutual interest (primarily business rates revaluation).
- 3.28 All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council. When identifying the priorities and objectives for the Strategic Plan the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.
- 3.29 During 2016/17 the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, including the introduction of charges for waste containers as well as action on letting boards. In addition, 'Task and Finish' groups were set up to review Houses in Multiple Occupation (HIMOs) and Car Parking Charges.
- 3.30 There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. We also work closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.

4. REVIEW OF EFFECTIVENESS

- 4.1 Warwick District Council is required 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 managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, and also by the findings and reports issued by the external auditors and other review agencies and inspectorates.
- 4.2 More information on the arrangements that provide this assurance is set out below.
- 4.3 The Council's Monitoring Officer (a Deputy Chief Executive) has responsibility for overseeing the implementation and monitoring the operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, considering any changes that may be necessary to maintain it and ensure its effectiveness in practice. All reports to Executive, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.
- 4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing the Code of Financial Practice to ensure they remain fit for purpose, and

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submitting any additions or changes necessary to the full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Code of Financial Practice to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by the Section 151 Officer to ensure compliance with financial requirements.

- 4.5 The Council's Internal Audit Service is required to provide annually an independent and objective opinion to the Authority on its risk management, governance and control environment. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2016/17 concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included the collation of assurances from all heads of services on the effectiveness of the internal control environment. A review of the service assurance statements, as they are called, concluded that, based on this self-assessment, effective controls were in place.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. An internal assessment of the performance of Internal Audit and its conformance with the PSIAS has been undertaken and the findings of this review have been reported to Members for their consideration as part of the Audit and Risk Manager's Annual Report and Opinion. An essential element of this assessment is to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance.
- 4.8 Grant Thornton was appointed as the Council's External Auditor from 1 September 2012 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2016/17 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 4.9 The Council is required to appoint new auditors prior to the 2018/19 financial year, for which the Council has agreed to opt in to the Public Sector Audit Appointments arrangements. This means that rather than run the procurement exercise itself, which would be extremely time-consuming and therefore costly, it is utilising the resources and expertise of a body specially set up to assist local authorities appoint their external auditors.

5 GOVERNANCE ISSUES

- 5.1 Although no significant governance issues have been identified, some lesser areas of importance have been recognised. These are set out below:
 - 1. The need to ensure that lessons are learned corporately from the Electrical Maintenance Contract Procurement.
 - 2. The requirement to update the Council's Local Code of Corporate Governance in the light of recently-revised CIPFA/SOLACE guidance.

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6 CERTIFICATION

- 6.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2017 and up to the date of approval of the annual statement of accounts.
- 6.2 Action will be taken to address the governance matters that have been identified.

Signed:

Andrew Mobbs
Leader of the Council

Chris Elliott
Chief Executive

Dated:

30 August 2017

30 August 2017