

# STATEMENT OF ACCOUNTS 2018/19

*and ANNUAL GOVERNANCE STATEMENT*



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# Message from the Head of Finance

## *Mike Snow*



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 and Accountancy (CIPFA). It aims to provide information so that members of the public, including electors and residents of Warwick District, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the financial outturn for 2018/19;
- 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 with the exception of a restatement for 2017/18 due to a change in departmental structure. In accordance with the Auditors' 2017/18 recommendation, the content has been reviewed and the "de-cluttering" exercise has continued to seek to make the accounts more understandable and to ensure their timely production.

The Narrative Report provides information about Warwick District, its main objectives and strategies, the principal risks that it faces as well as demonstrating how the Council has used its available resources to achieve desired outcomes from both a financial and non-financial perspective. It also provides a summary of the financial position at 31 March 2019.

Legislation requires that an authority's draft accounts are completed by 31 May following the year end, and an audited Statement of Accounts submitted to the appropriate body for approval by 31 July. In order to aid transparency, it also requires all local authorities to have a common thirty day public inspection period which includes the first ten working days in June.

The Council failed to meet the statutory deadline for the Audit approval of its 2017/18 financial statements. Actions have been put in place across the Council to ensure the completion of the audited accounts by 31 July 2019.

# Our District and its Demographics

Warwick District Council is one of five district / borough councils within the shire county of Warwickshire. It lies in the south of Warwickshire and covers approximately 28,288 hectares, and is home to around 58,700 households (137,600 people).

This area includes the towns of Kenilworth, Royal Leamington Spa, Warwick and Whitnash, accounting for around 80% of the population. The remainder of residents live in a number of villages, many of which are green belt. The District is bordered to the south and west by Stratford-on-Avon District, to the east by Rugby Borough and to the north by Solihull and the city of Coventry.

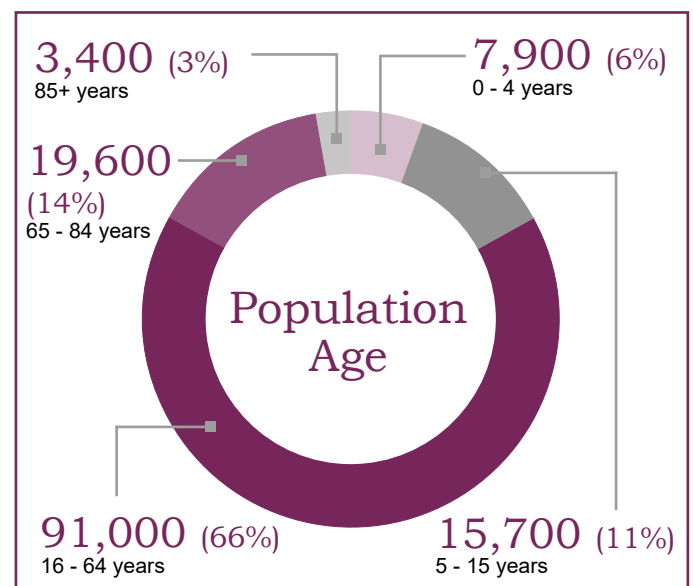
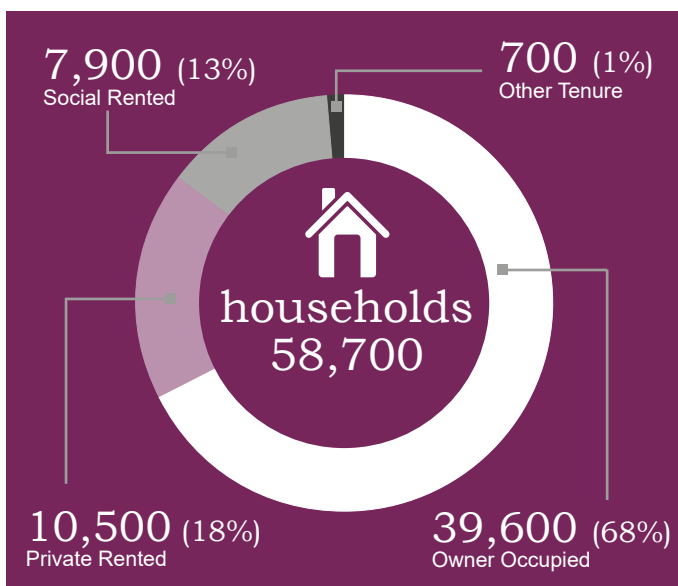
The District provides a central location with strategic transport links. There are major routes across the area including the M40 providing direct access to London and indirect links to the north-west via the M6 and M5 respectively. There are junctions outside of the District near Rugby, providing links to the north and east. There are rail services to the rest of the West Midlands and London and the Government's development of the high speed rail line "HS2" will run directly through the District.

The District boasts a rich cultural heritage, with two of the most popular tourist attractions being Warwick Castle and Kenilworth Castle. The Royal Pump Rooms in Royal Leamington Spa is a cultural and tourist attraction and there are several museums in Warwick. The Royal Spa Centre runs a programme of theatre, drama, comedy, film and community events in its 667 seat main house and 188 seat studio cinema.

The District has the largest population in the county and the population density of 4.9 people per square hectare is the second highest in Warwickshire and above national/regional averages. The population grew over the ten years from 2001 to 2011 by over 9%, a faster rate than England and Wales and the West Midlands and second only to Rugby in the county.

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

Kenilworth and Royal Leamington Spa were recently ranked in the top five of places to live in the Midlands as part of *The Sunday Times'* 2019 Best Places to Live in Britain list.



# Our Local Economy and its Social Indicators

The local economy is diverse although four sectors account for nearly 50% of employment: manufacturing, education, health, and wholesale and retail including motor trades.

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

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

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

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

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

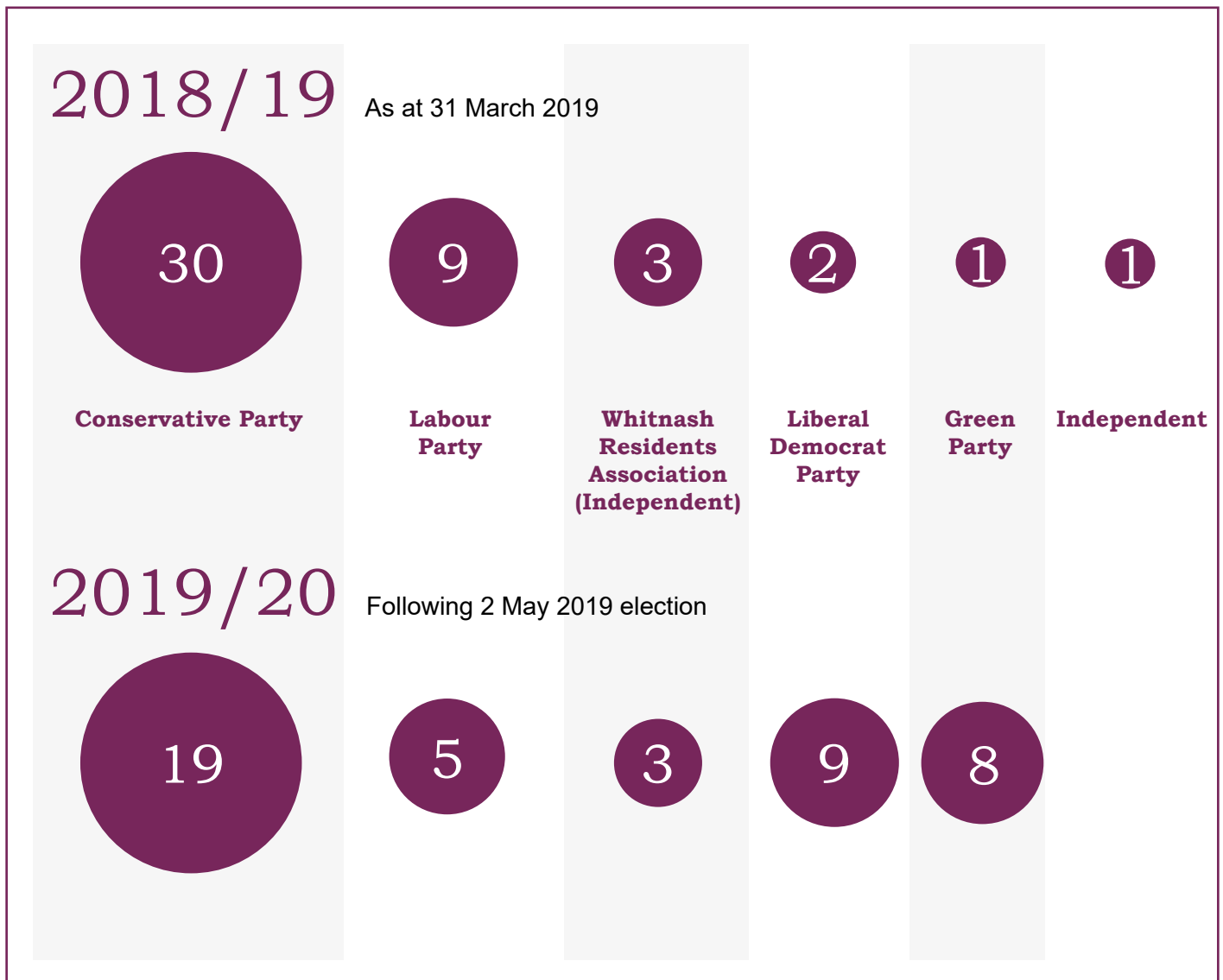


## Warwick District Council *Key Information*

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

# Political Structure

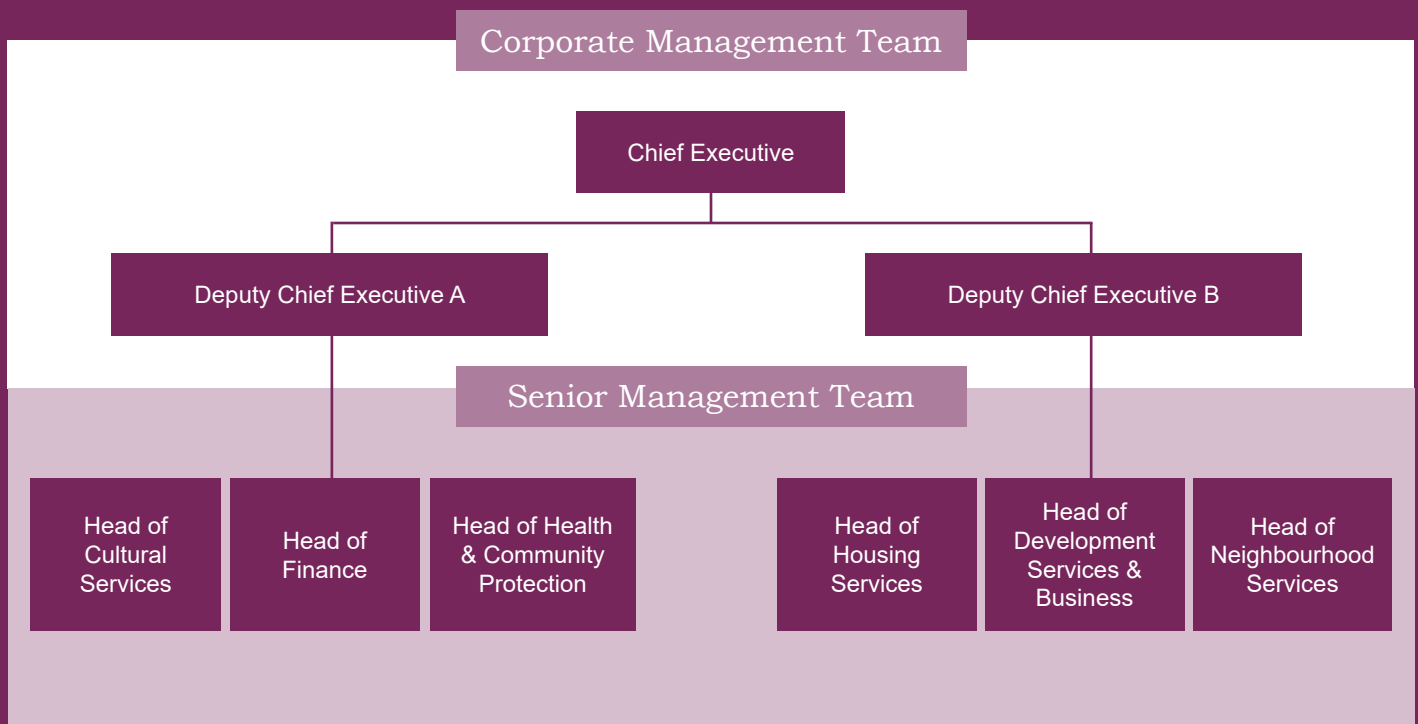
As at 31 March 2019, Warwick District had 22 wards and the Council consisted of 46 Councillors. Boundary changes since the last local elections in 2015 have resulted in a reduction in the number of wards and councillors representing the District, to 17 and 44 respectively in the 2019 local elections. The political make up of the Council is shown below.



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 2018/19, including the setting of a balanced budget for 2018/19, has been undertaken by either the Finance and Audit Scrutiny Committee or 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 2018/19 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.

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 above.



# Council Employees

The full time equivalent number of staff employed by the Council in April 2018 was 473. This increased over the year to 502 at the end of March 2019. The majority of the increase is made up of fixed term positions, including 12 new apprentices.

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

From 1 April 2017 the Council has contributed 0.5% of its total employee pay bill towards the national apprenticeship levy. As a levy paying employer, the Council receives funds from the Apprenticeship Service which is used towards apprenticeship training.

# Our Vision

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

Visit our website for more information on the updated Fit For Future Strategy and the 2018/19 service area plans.

1

## People

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



2

## Services

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

## Money

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

3

# Our Values

Our values are at the heart of everything we do, and they underpin what is important to the Council and how we all work together;



## Honesty and openness

We will be truthful and transparent about how we run your Council.



## Value for money

We will make efficient use of our resources to offer you the best possible services at the best price.



## Environmentally sensitive

We will ensure our long term impacts are minimised and are sustainable for future generations.



## Community focused

We will put the needs and aspirations of our local communities to the fore. We will work flexibly and collaboratively as one Council and with others in response.



## Fairness and equality

We will value all our citizens and our work will be without bias or prejudice.



*Warwick District, a great place to live, work and visit*

# Resource Strategies

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

## ICT Strategy

The Government's digital strategy is to provide "digital services which are so straightforward and convenient that all those who can use digital services will choose to do so, while those who can't are not excluded".

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

## People Strategy

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

## Medium Term Financial Strategy for 2018/19 to 2022/23

The Medium Term Financial Strategy (MTFS) was approved by Council on 21 February 2018. This document sets out the financial framework used to ensure adequate financial resources are available to achieve Council's objectives, and that appropriate action is taken to address significant future challenges.

Visit our website for more information on these strategies.

# Annual Service Area Plans



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

Visit our website for further information on the individual 2018/19 service plans.

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



# Our Services



# Financial Overview

## 2018/19

The approved revenue budget sets out how the Council plans to allocate revenue funding during the year in order to deliver services to the people and communities within Warwick District. The 2018/19 revenue budget process was influenced and framed by the continued need to make reductions in expenditure whilst progressing Council priorities.

The Council has seen core Government grant funding decreasing in recent years, finally reducing to zero in 2019/20. The Government's intention is to phase out non-specific grant funding altogether, and instead allow local authorities to retain a

higher proportion of locally collected business rates. In order to provide greater certainty around future funding levels, the Council accepted the Government's offer to "fix" the grant figures for four years from 2016/17.

Revenue resources available to finance the General Fund budget used to provide services are forecast to be approximately £13.7m by 2021/22. A year by year breakdown is shown in the diagram below:

Revenue Resources	2018/19 Actual '£000	2019/20 Forecast '£000	2020/21 Forecast '£000	2021/22 Forecast '£000
Revenue Support Grant	307	-	-	-
Business Rates	3,977	5,268	3,337	3,444
Collection Fund Balance	95	143	-	-
New Homes Bonus	2,482	3,359	-	-
Other Grants and Government Funding	2,142	15	-	-
Council Tax	10,164	9,274	9,744	10,222
<b>Total Revenue Resources</b>	<b>19,167</b>	<b>18,059</b>	<b>13,081</b>	<b>13,666</b>

Revenue expenditure reductions of over £5m have been made during the period 2009/10 to 2018/19, and a further £1.8m of savings/increased income have been built into revenue budget forecasts for 2019/20 to 2022/23.

Other future changes that it is anticipated will impact on the Council's finances are:

- Uncertainty around proposed changes to the proportion of Business Rate income retained by local authorities from 2020/21.
- Economic changes arising from Brexit including associated amendments to legislation
- Efficient procurement to deliver quality services at minimum cost

- Population growth increasing demand for services provided
- Expenditure pressures relating to pay awards, inflation, and capital programme financing costs.

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

In 2018/19 the Council approved a net General Fund budget of £8.642m which resulted in a D Band Council Tax charge of £161.86, an increase of £5 (3.19%) compared to the previous year.

# Financial Overview

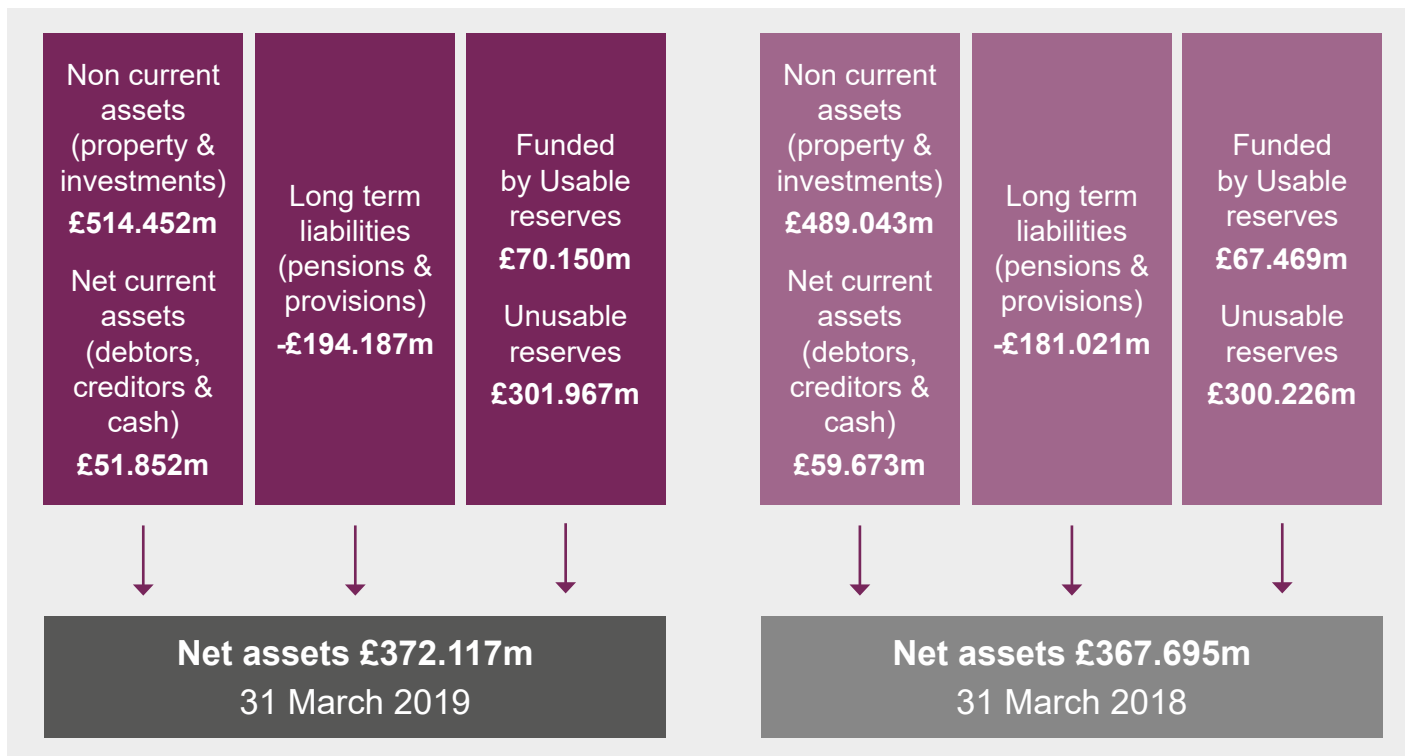
## 2018/19



During the year, the Council:

- Managed £243m of Council services
- Collected over £69.718m of Business Rates and £93.859m of Council Tax, of which £148.986m including Business Rates' Tariff (91%) is passed onto Central Government and other agencies.
- Managed £10.966m of Investment Property which generated £0.512m of rental income which was used to support the provision of services within the District.
- Spent £88.334m (gross expenditure) on Council services
- Received £40.706m of fees, charges and other service income, and Government grants and other contributions of £36.430m which were used to deliver Council services
- Invested surplus cash balances to generate £0.937m of interest receivable.

The Council continues to be in a robust financial position and maintains a strong balance sheet despite the financial challenges facing the Council.



The specified minimum level of General Fund revenue reserves as determined by the Head of Finance is £1.5m. The level of General Fund reserves to be carried into 2019/20 is £20.813m, which is £19.313m above the specified minimum amount. £18.794m of this total relates to Earmarked Reserves which have been set aside for specific purposes.

# Financial Performance

## 2018/19

The Council's financial outturn position in respect of both General Fund Services and the Housing Revenue Account is shown in the table below.

### Revenue Outturn Position

	Original Budget £000	Actual £000	Variation £000
Business (Development Services)	2,678	2,785	107
Cultural Services	6,849	10,105	3,256
Development Services	36	318	282
Finance	2,723	2,233	(490)
Health & Community Protection	3,643	3,051	(592)
Housing Services - General Fund	1,617	1,391	(226)
Housing Services - HRA	5,126	6,273	1,147
Neighbourhood Services	6,906	6,202	(704)
Strategic Leadership	2,751	2,442	(309)
<b>Net Revenue Expenditure on Services</b>	<b>32,329</b>	<b>34,800</b>	<b>2,471</b>

It should be noted that the above table shows the Council's net revenue expenditure, analysed by portfolio, as reported for resource management purposes. The Expenditure and Funding Analysis reconciles the net expenditure shown above, together with the accounting adjustments to provide a reconciliation to the Comprehensive Income and Expenditure Statement.

In overall terms, the Council achieved a General Fund surplus of £0.321m against budget, and a HRA surplus of £3.999m against budget, both of which have been allocated to reserves.

# Financial Performance

## 2018/19

A summary of the key variances occurring during the year by portfolio is shown in the table below.

Revenue Outturn Variances 2018/19	
<b>Business (Development Services)</b>	<b>Capital charges:</b> impairment / asset revaluation / REFCUS £0.438m <b>Income:</b> Increased rental income -£0.039m Government grants received -£0.100m <b>Support services:</b> Reduced recharges -£0.090m
<b>Cultural Services</b>	<b>Capital charges:</b> impairment / asset revaluation / depreciation £3.249m <b>Income:</b> increased non-WDC admissions -£0.162m <b>Employees:</b> increase in events throughout arts facilities £0.076m
<b>Development Services</b>	<b>Income:</b> lower than forecast planning applications £0.202m Building control recharges reduced due to vacant posts £0.123m
<b>Finance</b>	<b>Income:</b> Housing benefit subsidy claim -£2.186m <b>Transfer Payments:</b> Housing benefit rent allowances / rebates £1.981m <b>Supplies &amp; Services:</b> Reduction in Bad debt provision -£0.067m Delay to One Stop Shop Digital transformation -£0.049m <b>Employees:</b> Pay award contingency not required -£0.048m
<b>Health and Community Protection</b>	<b>Capital charges:</b> Revenue Expenditure Funded from Capital -£0.550m
<b>Housing and Property Services</b>	<b>Income:</b> DFG allocation -£0.164m Recharges -£0.132m <b>Employees:</b> Staffing vacancies -£0.144m <b>Premises:</b> R&M to temporary homeless accommodation £0.186m <b>Third party payments:</b> Reduced use of Consultancy services -£0.113m
<b>Housing Revenue Account</b>	<b>Capital charges:</b> Impairment / asset revaluation / depreciation £1.341m <b>Employees:</b> Staffing vacancies -£0.329m <b>Premises:</b> Increased repairs and maintenance to improve stock £0.620m <b>Supplies &amp; Services:</b> Bad debt provision lower due to UC delay -£0.175m <b>Third party payments:</b> Reduced consultancy service requirement -£0.270m
<b>Neighbourhood Services</b>	<b>Premises:</b> Delays to car park displacement strategy -£0.458m <b>Capital charges:</b> Impairment / asset revaluation / depreciation -£0.062m <b>Support Services:</b> Revised waste management recharges -£0.066m <b>Supplies and Services:</b> Fly tipping response service delayed -£0.029m
<b>Strategic Leadership</b>	<b>Employees:</b> Staffing vacancies -£0.226m <b>Supplies &amp; Services:</b> Digital transformation project reserve funded -£0.098m

### Housing Revenue Account

The Housing Revenue Account (HRA), is a ring-fenced account for services specifically relating to the provision of housing and associated services to Council tenants and leaseholders. The cost of providing for these services is met from Rents, service charges and grant funding. £27.603m of income was received, of which £25.049m related to dwelling rents from 5,478 properties. £20.568m of this was spent on providing revenue services in year, and a surplus of £3.999m was achieved. The surplus has been transferred to the HRA Capital Investment Reserve (CIR), to be used to finance future housing projects.

HRA reserve balances at 31/03/2019 equal £30.841m, and the Major Repairs Reserve (MRR) balance (used to fund capital expenditure improving HRA assets, or to repay HRA debt) is £8.099m.

As outlined in the Housing Investment Programme (HIP), the Council plans to spend £36.064m over the next 4 years to increase and improve its housing stock, following an £11.086m investment in 2018/19.



# Capital Programme 2018/19 to 2022/23

The Council has an ambitious 5 year capital programme: it is planning to spend £41.842m over this period. This investment will deliver a range of objectives including:

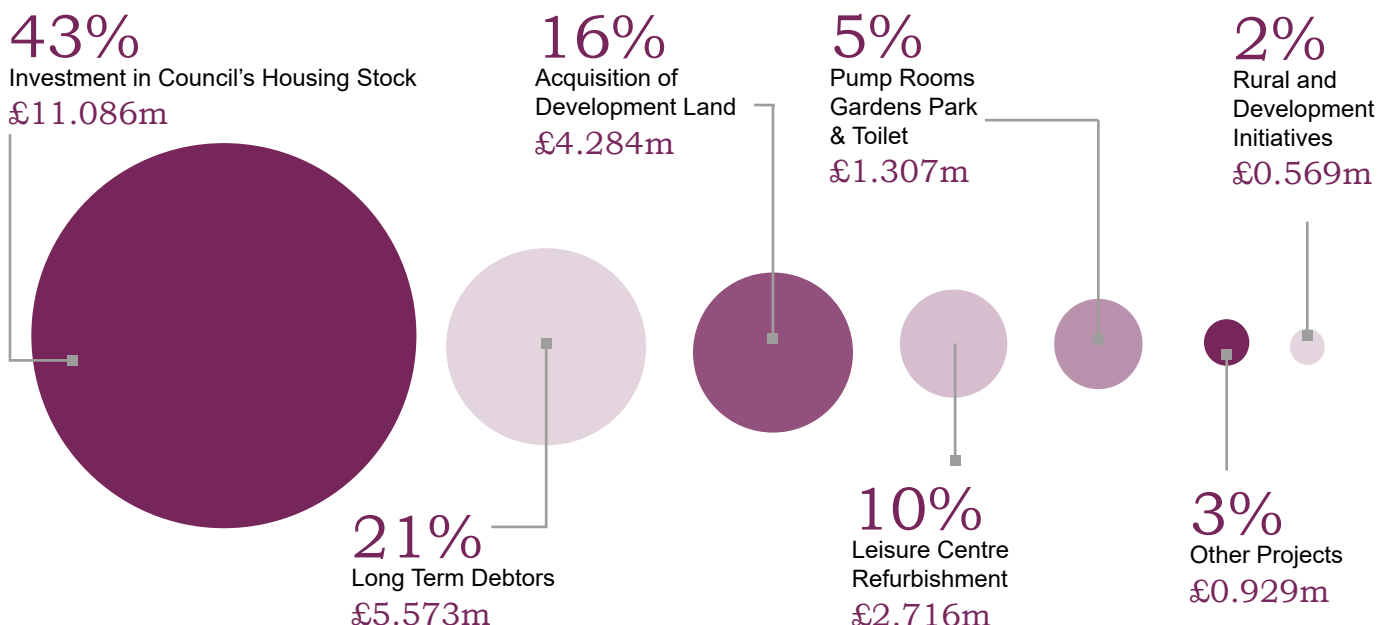
- Realising local aspirations as set out in the Fit for the Future programme - for example delivering enhanced leisure facilities following the refurbishment of St Nicholas and Newbold Comyn leisure centres
- Maintaining and enhancing the condition of existing assets including “invest to save” projects which generate revenue savings, releasing valuable resources for other purposes (for example investing in Information and Communication Technology)
- Achieving regeneration and economic vitality in the district such the development of the Europa Way site and the improvement of Leamington Old Town
- Increasing the number of affordable homes in the district

- Improvements to the Council's existing housing stock

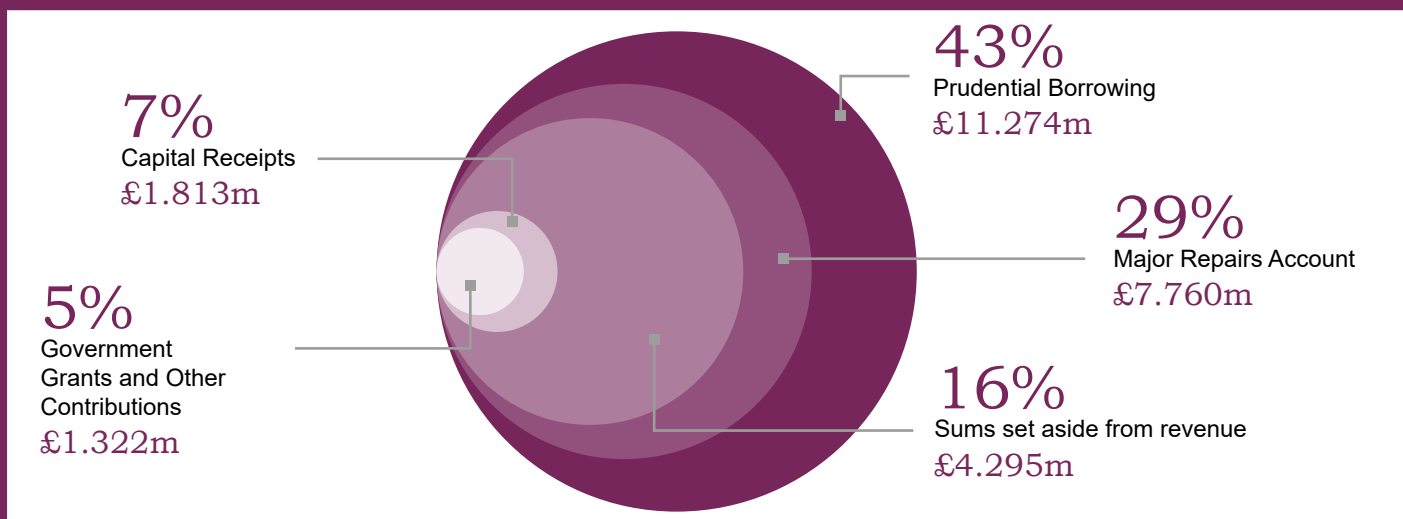
The main sources of funding for these future works are Right to Buy sales of council homes to eligible tenants (£3.449m), contributions to capital works from developers (£2.231m), use of the Council's own resources – either by revenue contributions to capital projects (£0.811m) or the use of earmarked reserves (£35.172m), and borrowing provided the Council can demonstrate that it can afford to service the debt (£0.179m).

The 2018/19 total capital budget of £11.226m was approved at the Council Meeting on 21 February 2018. This was subsequently revised to £29.045m with the addition of re-profiled expenditure from the previous financial year and further approvals in the year. Actual capital expenditure for 2018/19 was £26.464m (£15.398m 2017/18). The charts below detail this expenditure and the accompanying financing.

## Capital Expenditure 2018/19



## Capital Financing 2018/19



The expenditure analysis by portfolio, together with explanations of major project variances occurring in 2018/19 is shown in the tables below.

Capital Expenditure 2018/19	Revised Budget £000	Actual £000	Variation £000
Cultural Services	3,250	3,100	(150)
Development Services and Business	10,962	10,102	(860)
Finance	200	179	(21)
Health and Community Protection	648	151	(497)
Neighbourhood Services	2,972	1,496	(1,476)
Strategic Leadership	415	350	(65)
<b>Total Other Services Expenditure</b>	<b>18,447</b>	<b>15,378</b>	<b>(3,069)</b>
New Build/Reprovision of Housing	2,345	2,607	2
Improvements/Renewals	8,253	8,479	486
<b>Total HRA Related Housing Investment Programme (HIP)</b>	<b>10,598</b>	<b>11,086</b>	<b>488</b>
<b>TOTAL Capital Expenditure</b>	<b>29,045</b>	<b>26,464</b>	<b>(2,581)</b>

## Capital Expenditure Variances 2018/19

<b>Major variances were caused by:</b>	
<b>Cultural Services</b>	£200k underspend relating to delays to the planned refurbishment of Kenilworth leisure centres.
<b>Development Services and Business</b>	Underspend of £860k predominantly relating to: St Mary's Land Cycleway project delayed due to planning application issues (£167k), Kenilworth Wardens project did not progress as quickly as anticipated (£400k), and the final drawdown of the Kenilworth School loan is subject to the completion of the capital works (£379k).
<b>Health and Community Protection</b>	£379k underspend relating to delays in the Whitnash Community Hub project. Delays have occurred due to increases to the initial construction costs requiring additional funding to be secured, and also gaining planning approval for a variation to the building design.
<b>Neighbourhood Services</b>	£531k underspend due to delays in starting parks improvement works due to a delay in awarding the contract. £195k underspend as works to the undercroft and bandstand in the Pump Room Gardens were delayed due to inclement weather. The Parking Displacement project (£555k) has been deferred until feasibility phase of Covent Garden Redevelopment project completed, and the Parking Machine Upgrade (£124k) delayed due to longer than anticipated software programming.
<b>HRA Related HIP</b>	Overspends relating to Repurchase of an additional 3 ex-council houses and a 25% share of 1 shared ownership property were purchased during the year (£648k), and the final purchase and refurbishment costs of Beauchamp House were higher than forecast (£179k). Delays in the completion of the purchase of properties at Cloister Way resulted in only 2 out of the 5 properties being purchased in 2018/19 - an underspend of £566k.

# Council Performance at a Glance 2018/19



**1.1 million**  
visitors to the  
Council's leisure centres

Invested  
**£1.072m**  
in improvement works to parks  
and open spaces


Over  
**126,000**  
visitors to  
Leamington Spa Art Gallery  
and Museum



**2,117**  
planning applications received

More than **90%**  
of planning applications determined  
within statutory timescale



  
**£14.623m**  
invested to improve, maintain and  
repair HRA properties



Over 4.1 million waste  
collections, with more than  
**99.23%**  
completed on the scheduled day



Hat trick of Green Flag awards for  
Jephson Gardens, Oakley Wood and  
Crackley Woods in

**2018** 



Over  
**90,500**  
visitors to the Royal Spa Centre



Awarded  
 **INVESTORS  
IN PEOPLE** | Silver



Approximately  
**3,000**  
homes constructed in the district  
over the past three years

# The Council's Performance 2018/19

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



## People

- The £16.011m refurbishment of Newbold Comyn and St Nicholas Park leisure centres was completed. The Council continues to work with Everyone Active who operate the centres on our behalf, to ensure local people can enjoy modern and varied sporting facilities across the district.
- There are now 12 apprentices within the Council, recruited through either our corporate programme, converted roles, or existing staff studying for qualifications within their existing roles.
- The Council has invested a further £2.0m in fire safety measures in its high rise blocks including 60 minute fire resistant flat entrance and communal doors, upgrades to electrical installations and emergency

lighting and automatic smoke ventilation to stairwells.

- The county-wide Home Environment Assessment and Response Team (HEART) service which provides specialist support for the delivery of home adaptations and related services, to help people maintain their independence and remain in their own homes for longer. For this District, at the end of March 2019 the HEART service had assessed and arranged for work to be carried out to 43 homes.
- The Council received nearly £301k of grant funding to prevent homelessness. This funding has been used to support various prevention methods including clearing rent arrears, rent in advance and estate agent credit check and application fees.

- £370k of grant funding was secured to prevent and reduce rough sleeping within the District. During the year the Council opened its first Direct Access Hostel which provides round the clock accommodation, support and care for the homeless. The number of individuals sleeping rough in the district fell from 21 in November 2017 to 12 in January 2019.

## Services

- In June 2018, work began to restore the Pump Room Gardens focusing on restoring the Victorian bandstand and reinstating key 19th century garden features. The £1.4m project includes almost £1.0m funding from the Heritage Lottery Fund Parks For People programme.
- The Council's recycling rate is

approximately 54.1%, which is well ahead of the national target of 50% by 2020.

## Money

- Leamington hosted the finish of the Women's Cycle Tour 2018. Around 20,000 visitors greeted the Tour, spending an estimated £434k. Leamington also hosted the finish of a stage of the Men's Tour of Britain with an estimated visitor spend of £135k.
- The Council achieved a collection rate of 97.8% for business rates and 98.3% for council tax.
- Over £1.8m of Community Infrastructure Levy (CIL) demand notices were issued during year – the Council's first year of operating CIL.

# Key Strategic Partnerships

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

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

## Governance Framework

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

The Council has adopted a Local Code of Governance which sets out the Council's commitments to seven core principles of governance.

Visit our website for further information.

The Accounts and Audit Regulations 2015 require the Council to conduct a review, at least annually, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The Council's 2018/19 Annual Governance Statement is included in the Financial Statements.

# Corporate Risks

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

Key risks currently identified include:

Risk/Issue	Probability of Occurrence	Management Action to Mitigate Risk
Failure to protect information assets from malicious cyber attack resulting in reputational damage, unforeseen recovery costs, lost productivity and adverse impact on service delivery.	Medium/High	Appropriate strategies and policies in place aiming to prevent, detect and contain an attack, reduce target exposure, speed up recovery times and minimise impact on service delivery. e.g. use of up-to-date anti-malware software, documented Major Virus Response procedures, multiple file servers, temporary website to be used in events of major outage, staff training.
Partnerships not delivering stated objectives leading to reduced levels of service provision, failure to deliver service, increased costs.	Medium/High	On-going scrutiny and audit of partnership arrangements, project groups for significant services, involvement in and engagement with existing sub-regional partnerships.
Major contractor going into administration or deciding to withdraw from contract leading to reduced service levels, non-achievement of objectives, adverse financial impacts and reputational damage.	Medium	Properly procured contracts, active contract management, business continuity plans in place.
Inappropriately qualified staff unable to undertake level or volume of work to meet Council priorities resulting in poor customer service and disruption to Council services.	Medium	Training budgets set to match short and long term needs, workforce planning, prioritisation of work, appropriate use of external resources.
Additional, unforeseen financial liabilities arising e.g. medium term financial strategy underestimates future expenditure and income, compensation payments, legal challenges, uninsured losses, resulting in higher than anticipated budget savings, sub-optimum and short term decisions unsupported by proper plans, and reduced service levels.	Medium	Regular monitoring of the Fit for the Future strategy, identification and control of emerging risks, effective financial planning, appropriate levels of financial reserves held and used to smooth fluctuations income and expenditure.

# Future Opportunities

The Council is actively working on several projects which present significant opportunities towards the Council's aspiration of making Warwick District a great place to live, work and visit.



## Europa Way

The Council has acquired a major development site. This will enable the provision of a new community stadium and associated commercial enabling development on part of the site. Leamington Football Club will relocate to the new stadium, so releasing their existing site for use as a gypsy and traveller site. The remainder of the Europa Way site has been purchased by the Council's housing joint venture partner, to produce new properties, of which 60% will be affordable.

## Council HQ Relocation and Convent Garden Car Park

The redevelopment of the site of the current multi storey car park enables :

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

## Leisure Centres

Refurbishment works at both Newbold Comyn and St Nicholas Park leisure centres were completed in 2018. In addition to providing improved facilities for users of the centres, the Council is making revenue savings that exceed the cost of the investment.

As the population of the district continues to grow, further investment is proposed in the leisure facilities at Kenilworth to achieve similar objectives.



# Content and Format of the Statement of Accounts

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



## Statements of Responsibilities

This statement sets out the respective responsibilities of the Council and the Chief Finance Officer (Head of Finance).

## Core Financial Statements

The Statement of Accounts comprise four core financial statements:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

A description of the purpose of each statement is included with each core statement.

## 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 2018/19

The implementation of IAS9 - Financial Instruments represents the main change to the 2018/19 Accounts. A restatement of 2017/18 is also noted due to a change in departmental structure.

## Receipt of Further Information

If you would like to receive further information about these accounts, please do not hesitate to contact Mike Snow, please see Page 26 for details.

## 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.



## Supplementary Statements

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

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

## 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  
Riverside House  
Milverton Hill  
Royal Leamington Spa  
Warwickshire  
CV32 5QW

# STATEMENT OF RESPONSIBILITIES

## The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In line with statute this is the Section 151 Officer. In this Council, that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## The Section 151 Officer's Responsibilities

The Head of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code):

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code of Practice.

The Head of Finance has also:

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

I certify that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2019 and its income and expenditure in the year ended 31 March 2019.

30 July 2019

Mike Snow CPFA  
Head of Finance  
Warwick District Council  
Riverside House  
Milverton Hill  
Royal Leamington Spa  
Warwickshire  
CV32 5QW

## Approval of Statement of Accounts

Statement of Accounts approved at the Warwick District Council Finance and Audit Scrutiny Committee meeting held on 30 July 2019.

Chair of the Meeting  
Councillor Nicholls

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Local Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated 2017/18			Portfolio:	Note	2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	
2,079	(496)	1,583	Business (Development Service)		3,417	(701)	2,716
6,608	(1,728)	4,880	Cultural Services		10,354	(1,772)	8,582
2,546	(2,452)	94	Development Services		2,970	(2,652)	318
31,731	(29,407)	2,324	Finance		31,249	(29,026)	2,223
3,134	(639)	2,495	Health & Community Protection		3,661	(612)	3,049
2,623	(1,446)	1,177	Housing Services General Fund		3,066	(1,714)	1,352
17,878	(27,821)	(9,943)	Housing Revenue Account		20,685	(27,626)	(6,941)
11,304	(5,747)	5,557	Neighbourhood Services		10,994	(5,887)	5,107
2,653	(951)	1,702	Strategic Leadership		1,938	(346)	1,592
<b>80,556</b>	<b>(70,687)</b>	<b>9,869</b>	<b>Cost of Services - continuing operations</b>		<b>88,334</b>	<b>(70,336)</b>	<b>17,998</b>
2,374	(1,169)	1,205	Other Operating Income and Expenditure	11	2,484	(770)	1,714
6,536	(930)	5,606	Financing and Investment Income and Expenditure	12	6,691	(1,449)	5,242
-	(20,820)	(20,820)	Taxation and Non-Specific Grant Income and Expenditure	13	-	(20,962)	(20,962)
		<b>(4,140)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>3,992</b>
			<b>Other Comprehensive Income and Expenditure:</b>				
		(27,610)	(Surplus) or Deficit on revaluation of Non Current Assets	24			(19,632)
		1,751	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	24			3,280
		173	Surplus or deficit on revaluation of available for sale financial assets	24			-
		(2,918)	Remeasurement of the net defined benefit liability / (asset)	24			7,500
		<b>(28,604)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(8,852)</b>
		<b>(32,744)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(4,860)</b>

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the authority, analysed into “Usable Reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “Unusable Reserves”. The Statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following these adjustments.

2017/18	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017 carried forward</b>	17,375	24,608	6,686	6,782	501	55,952	278,999	334,951
<b>Movement in reserves during 2017/18</b>								
Total Comprehensive Income and Expenditure	(2,276)	6,416	-	-	-	4,140	28,604	32,744
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 9)	3,498	(460)	1,946	2,460	(67)	7,377	(7,377)	-
<b>Increase / (Decrease) in 2017/18</b>	<b>1,222</b>	<b>5,956</b>	<b>1,946</b>	<b>2,460</b>	<b>(67)</b>	<b>11,517</b>	<b>21,227</b>	<b>32,744</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>18,597</b>	<b>30,564</b>	<b>8,632</b>	<b>9,242</b>	<b>434</b>	<b>67,469</b>	<b>300,226</b>	<b>367,695</b>

2018/19	General Fund Balance	Housing Revenue Account	Capital Receipt Reserves	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018 carried forward</b>	18,597	30,564	8,632	9,242	434	67,469	300,226	367,695
<b>Movement in reserves during 2018/19</b>								
Total Comprehensive Income and Expenditure	(7,250)	3,258	-	-	-	(3,992)	8,852	4,860
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 9)	9,466	(1,527)	(123)	(1,143)	438	7,111	(7,111)	-
<b>Increase / (Decrease) in 2018/19</b>	<b>2,216</b>	<b>1,731</b>	<b>(123)</b>	<b>(1,143)</b>	<b>438</b>	<b>3,119</b>	<b>1,741</b>	<b>4,860</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>20,813</b>	<b>32,295</b>	<b>8,509</b>	<b>8,099</b>	<b>872</b>	<b>70,588</b>	<b>301,967</b>	<b>372,555</b>

## BALANCE SHEET

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority are matched by reserves held by the authority. Reserves are reported in two categories: Usable and Unusable Reserves.

The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services, and includes reserves that hold unrealised gains and losses where amounts only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

The unaudited accounts were issued on 31/05/2019 and the audited accounts were issued on 30/07/2019.

31 March 2018		Note	31 March 2019
£'000			£'000
	<b>Operational Assets:</b>		
370,648	Council Dwellings		387,206
6,915	HRA Land and Buildings		7,980
71,905	Other Land and Buildings		74,391
2,321	Vehicles, Plant, Furniture and Equipment		2,735
2,030	Infrastructure Assets		2,001
6,647	Community Assets		7,638
	<b>Non-Operational Assets</b>		
299	Surplus Assets		316
2,328	Assets under Construction		429
<b>463,093</b>	<b>Property, Plant and Equipment</b>	<b>14</b>	<b>482,696</b>
8,270	Heritage Assets	15	8,315
11,000	Investment Properties	16	10,966
44	Intangible Assets	17	44
5,895	Long Term Investments	17	6,233
741	Long Term Debtors	17	6,198
<b>489,043</b>	<b>LONG TERM ASSETS</b>		<b>514,452</b>
34,697	Short Term Investments	17	35,427
122	Assets Held for Sale	18	84
11	Inventories		12
6,195	Short Term Debtors	19	7,781
40,368	Cash and Cash Equivalents	21	27,366
<b>81,393</b>	<b>CURRENT ASSETS</b>		<b>70,670</b>
(19,832)	Short Term Creditors	22	(18,052)
(1,888)	Provision Liabilities payable in less than 1 year	23	(1,471)
<b>(21,720)</b>	<b>CURRENT LIABILITIES</b>		<b>(19,523)</b>
(153)	Long Term Creditors		(153)
(2,271)	Provision Liabilities payable in more than 1 year	23	(3,318)
(136,157)	Long Term Borrowing	17	(136,157)
(63)	Other Long Term Liabilities	17	(47)
(4,254)	Capital External Grants/Contributions in Advance	33	(4,903)
(38,123)	Net Pensions Liability	38	(48,466)
<b>(181,021)</b>	<b>LONG TERM LIABILITIES</b>		<b>(193,044)</b>
<b>367,695</b>	<b>NET ASSETS</b>		<b>372,555</b>
67,469	Usable Reserves	32	70,588
300,226	Unusable Reserves	24	301,967
<b>367,695</b>	<b>TOTAL RESERVES</b>		<b>372,555</b>

## CASH FLOW STATEMENT

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

2017/18		Notes	2018/19
£'000			£'000
(4,140)	Net (Surplus) or deficit on the provision of services		3,992
(17,140)	Adjust net (surplus) or deficit on the provision of services for non cash movements	25	(18,696)
6,432	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	25	6,675
<b>(14,848)</b>	<b>Net cash flows from Operating Activities</b>		<b>(8,029)</b>
10,761	Investing Activities	26	21,631
(523)	Financing Activities	27	(600)
<b>(4,610)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>13,002</b>
(35,758)	Cash and cash equivalents at the beginning of the reporting period		(40,368)
<b>(40,368)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(27,366)</b>

# 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 2018/19 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

### Basis of Preparation

The Statement of Accounts is prepared on a “going concern” basis. This is the assumption that the Council will continue in operational existence for the foreseeable future.

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

### Accruals of Income and Expenditure

The Council's Accruals Policy was revised in 2018/19 and as such the following is applicable. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received in particular.

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date when supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de-minimis limit of £10k for non-system generated accruals. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where system generated accruals are created when revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet, a de-minimis limit is not applicable. In a similar fashion to non-system generated accruals; where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

Exceptions to the above rule include:

- Items paid for on an annual or periodic basis (e.g. subscriptions, insurance premiums, etc.) where the accounts still show an annual equivalent cost.



- Housing benefit payments are paid every four weeks - where a payment run spans the year end it is accounted for in the year that it is included in the Government's annual Housing Benefit Subsidy claim so that income and expenditure are recorded in the same period.
- Expenditure items funded from grants and reserves.

It is not expected that these exceptions or the introduction of the de-minimis limit will be material to the overall accounting position. The new de-minimis limit will be implemented prospectively with effect from 1<sup>st</sup> April 2018.

### **Cash and Cash Equivalents**

Cash is represented by cash at bank and on-demand deposits with financial institutions. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash with an insignificant risk of change in value.

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

### **Charges to Revenue for Non-Current Assets**

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

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

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

### **Council Tax and Non-Domestic Rates**

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

### Accounting for Council Tax and NDR

The council tax and NDR income in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount

## NOTES TO THE ACCOUNTS

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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or the pensioner in the year, not the amount calculated according to the relevant accounting standards.

#### Post-Employment Benefits

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

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

The liabilities of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2.7% in 2017/18) at the IAS19 valuation date.

The assets of the Warwickshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pensions liability is analysed into the following components:

Service Cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Warwickshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

## NOTES TO THE ACCOUNTS

### Discretionary Benefits

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

### **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 July. Two types of event can be identified:

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

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

### **Fair Value**

#### Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments such as equity share holdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell or transfer the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for an asset or liability.

The authority measures fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date,
- Level 2 inputs – inputs other than quoted prices included within the Level 1 that are observable for the asset, either directly or indirectly,
- Level 3 inputs – unobservable inputs for the asset.

### **Financial Instruments**

#### Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For any borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### **Financial Assets**

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

## NOTES TO THE ACCOUNTS

### Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 months expected losses.

### Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

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

### Soft Loans under Financial Instruments

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

### 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.

### Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy, with the exceptions of amounts applied to meet administrative expenses in accordance with the CIL Regulations will be used to fund a number of infrastructure projects to support the development of the area (these include transport, schools and digital infrastructure). Where some or all of a chargeable development takes place in a parish area, 15% of the income is passed to the relevant parish/town council – the Council acts as an agent for these amounts.

CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for Government Grants and Contributions.

### **Heritage Assets**

Heritage assets are assets that have historical, artistic, scientific, technological, geographical or environmental qualities that are held in trust for future generations because of their cultural, environmental or historical associations and contribution to knowledge and culture. They include museum collections, historic buildings and public works of art.

#### Recognition and Measurement

Heritage assets are held at fair value. High value items are valued by an appropriately qualified person. Low value items are held at an internally agreed nominal value of £50.

Heritage assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years. Increases and decreases in valuations are accounted for in accordance with the Council's policies for the revaluation of Property, Plant and Equipment as set out in the Property, Plant and Equipment section of the Accounting Policies Note.

Heritage assets that are used in the on-going delivery of the Council's services, such as parks and open space are not categorised as heritage assets, but are classified as operational assets within Property, Plant and Equipment, and are accounted for in accordance with the Council's accounting policies.

#### Depreciation, Amortisation and Impairment

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

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

## NOTES TO THE ACCOUNTS

### Disposal

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts as set out the Council's general accounting policies in these statements.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **Leases**

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

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

### 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.

### 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.

### **Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Material errors discovered in the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## NOTES TO THE ACCOUNTS

### Property, Plant and Equipment

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

For accounting purposes, the Council has the following de-minimis limits in relation to capital expenditure:

- On land and buildings - £20,000
- On vehicles, plant or equipment - £5,000

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) and Assets Under Construction depreciated historical cost.
- Housing Stock (Dwellings) – current value determined using the basis of existing use value for social housing (EUV-SH)
- Council Offices – current value, determined as the amount that would be paid for the asset in existing use (EUV)
- All other assets – current value determined as the amount that would be paid for the asset in its existing use (EUV)
- Surplus Assets – current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets i.e. vehicles, plant and equipment have short useful lives, or low values (or both), depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains may be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment loss previously charged to a service.

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

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

### Impairment

Assets are assessed at each year end 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 and reversed out to the Capital Adjustment Account.

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

### Depreciation

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

Depreciation is calculated on the following bases:

- Council Houses – component depreciation method,

## NOTES TO THE ACCOUNTS

- Other buildings – straight line allocation over the useful life of the property as estimated by the valuers.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful asset life as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over 40 years or as appropriate to the relevant asset.
- Community Assets – Straight line allocation over a maximum life of 100 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The policy adopted is as follows:

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

### Housing Revenue Account

- Council Dwellings - Depreciation is calculated and charged in accordance with proper practices including separation of the housing stock into significant components for depreciation purposes, where the components have different useful lives to the remainder of the asset.
- Other Housing Revenue Account Assets – the approach outlined below for General Fund assets will be adopted.

### General Fund

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes. The Council applies a de-minimis threshold for componentisation purposes: all assets with a Current Net Book Value of less than £500,000 will not be assessed for componentisation on the grounds that the difference in depreciation will be limited.

### Disposals and Non-Current Assets Held for Sale

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

The asset is revalued immediately before reclassification at existing use value (EUV) and then carried at the lower of this amount and fair value i.e. market value, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement thus calculating the gain or loss on the disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

#### Provisions

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

- They must be the result of a past event;
- 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council becomes aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement at the Balance Sheet date. When payments are made they are charged to the provision already set up in the Balance Sheet.

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

## NOTES TO THE ACCOUNTS

### Reserves

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

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

### Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset, e.g. Rural and Urban Initiative 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)

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

### Apprenticeship Levy

From 1 April 2017, the Council has made payments to HMRC in relation to the national Apprenticeship Levy. The full cost of the Levy will be recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement when it is paid to HMRC. When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the Comprehensive Income and Expenditure Statement against the service benefiting from the training.

### Rounding

Values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

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

At the Balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

**IAS 40 Investment Property: Transfers of Investment Property** - The amendment clarifies that transfers to/from Investment Property are only permitted if a change of use has been approved which is supported by appropriate evidence. This will have no impact as the amendment reflect existing Council procedures.

**Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation** – this amendment makes clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

**IFRS 16 Leases** - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The Council has a small number of operational leases in place which will be assessed in preparation of this new accounting treatment but it is not anticipated these changes will have a material impact on the financial statements. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

### Other Changes

The following accounting standards will be implemented in 2019/20 but are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

**IFRIC 22 Foreign Currency Transactions and Advance Consideration** – clarifies that the accounting date for transactions that include the receipt or payment of advance consideration in a foreign currency, for the purpose of determining the exchange rate, is the date of the initial recognition of the non-monetary prepayment asset or deferred income liability. The amendment will have no impact as the Council does not have any material foreign transactions.

**IFRIC 23 - Uncertainty Over Income Tax Treatments** – provides clarification on various issues surrounding the taxation of income which will have no impact on the Council's accounts.

**Annual Improvements to IFRS Standards 2014 – 2016 Cycle** - makes minor amendments, principally providing clarification, to the following accounting standards: (i) IFRS1 First Time Adoption of International Reporting Standards - short term exemptions that have now served their purpose have been deleted, (ii) IFRS12 Disclosure of Interests in Other Entities – the amendments clarify that the disclosure requirements also apply to interests in other entities that are classified as held for sale, held for distribution or as discontinued operations, (iii) IAS28 – Investments in Associates and Joint Ventures – the clarification outlines how to apply the equity method to investments in associates and joint ventures.

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

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

- Uncertainty around future funding levels is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
- The Council has entered into joint ventures with PSP Warwick LLP and Waterloo Housing Association. An assessment has been undertaken of the relationship with these parties. There is a group relationship with PSP Warwick LLP but transactions during 2018/19 were not considered material for the Council so group accounts have not been prepared. Alternatively, a disclosure has been included in the Related Parties Note. There was no group relationship with Waterloo Housing Association.
- All of the Council's Investment Properties were revalued in 2018/19 and as such it is considered that for the purposes of IFRS13, the carrying value is equal to Fair Value under that standard. The properties were revalued using direct observation of the passing rents on similar properties within the local property market and this equates to a level 2 input according to our valuers Carter Jonas.

## NOTES TO THE ACCOUNTS

- 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 1 April 2019 as these assets are revalued every year for HRA business plan purposes. This valuation date is treated as a proxy for 31 March 2019 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 1 April 2019 valuation such as to make it inappropriate to use as a proxy for 31 March 2019.
- During 2017/18 the Council invested £6m in two Corporate Equity Funds which at 31 March 2019 were valued at £5.975m, an improvement of £0.08m over the 31 March 2018 position but still reflecting a reduction of £0.025m in the original value invested. As they are not regularly traded, the funds were valued in terms of fair value on a Level 2 basis. However, the underlying assets within the funds are regularly valued in an active market and can be considered to be valued on a Level 1 basis thereby giving reassurance as to the accuracy of the year end valuation of £5.975m. The Council has taken a long term position in relation to these funds and is not aware of any issues, financial or otherwise, that are likely to result in a long term loss of value. Previously the changes in capital value would have impacted on the General Fund but for 2018/19 and the subsequent 4 years, the movements in the capital value of both funds have been taken to the new Financial Instruments Revaluation Reserve which has been statutorily introduced in order to ensure that any changes in capital value do not impact on the General Fund.
- During 2018/19, the Council made long term loans for capital expenditure amounting to £5.527m to various organisations. Due diligence was carried out to ensure that the borrowers capacity to repay the loans plus interest in a timely manner was adequate and the Council is not aware of any subsequent or future issue, economic or otherwise, that requires the loans to be impaired.

#### **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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £432k for every year that the useful lives had to be reduced.



Provisions	<p>The Council has made provisions for insurance cover in respect of outstanding liability claims from the public, employees and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31<sup>st</sup> March 2019 where such excesses have been negotiated when agreeing premiums.</p> <p>Following the introduction of the retention of business rates scheme new provisions have been created to provide for the potential successful appeals against rateable values.</p>	<p>An increase over the forthcoming year of 10% in settlements would have the effect of adding £77k to the provisions needed.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all Warwickshire authorities with expert advice about the assumptions to be applied.</p>	<p>The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis.</p> <p>The actuaries model thousands of possible outcomes in order to establish the long term estimates</p> <p>The Council will use information from the Pensions actuary to set the employer's pension contribution rates to ensure that pension liabilities are met.</p> <p>A sensitivity analysis upon other variables affecting the net liability is set out in the Defined Benefit Pension Schemes note.</p>
Arrears	<p>At 31<sup>st</sup> March 2019, the Council had a balance of arrears of Housing Rents, Council Tax, Business Rates and other sundry debtors of £5.12m. A review of the above suggested that an impairment of doubtful debts of 47.7% (£2.45m) 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 £2.45m 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

Events taking place after the Reporting date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue.

The Statement of Accounts will be authorised for issue by the Head of Finance on 30 July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 31 March 2019 the only known event after the reporting period for the Council to disclose is potentially Brexit which is currently planned to take place in October 2019. This may impact events during the closure of accounts period, or even during the audit process and may need to be reflected in the final statements but due to the large amount of uncertainty and political turmoil currently surrounding the issue we are unable to reliably quantify any financial impact to the Council.

## NOTES TO THE ACCOUNTS

### 6. Restatement of 2017/18 notes re restructuring of portfolios

During 2018/19 the portfolio structure of the Council was changed. Consequently, the following statements and notes have been restated to show this change:

#### Restatement of the Comprehensive Income & Expenditure Statement

Restatement to 2017/18 Comprehensive Income and Expenditure Statement									
2017/18			Portfolio:	Adjustment			2017/18 Restated		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
-	-	-	Business (Development Services)	2,079	(496)	1,583	2,079	(496)	1,583
6,698	(1,719)	4,979	Cultural Services	(90)	(9)	(99)	6,608	(1,728)	4,880
-	-	-	Development Services	2,546	(2,452)	94	2,546	(2,452)	94
4,809	(3,128)	1,681	Development Services & Business	(4,809)	3,128	(1,681)	-	-	-
31,764	(29,405)	2,359	Finance	(33)	(2)	(35)	31,731	(29,407)	2,324
3,229	(668)	2,561	Health & Community Protection	(95)	29	(66)	3,134	(639)	2,495
-	-	-	Housing Services - General Fund	2,623	(1,446)	1,177	2,623	(1,446)	1,177
2,811	(1,448)	1,363	Housing & Property Services	(2,811)	1,448	(1,363)	-	-	-
17,878	(27,821)	(9,943)	Housing Revenue Account	-	-	-	17,878	(27,821)	(9,943)
11,174	(5,748)	5,426	Neighbourhood Services	130	1	131	11,304	(5,747)	5,557
2,193	(750)	1,443	Strategic Leadership	460	(201)	259	2,653	(951)	1,702
<b>80,556</b>	<b>(70,687)</b>	<b>9,869</b>	<b>Cost of Services - continuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,556</b>	<b>(70,687)</b>	<b>9,869</b>

#### Restatement of the Expenditure & Funding Analysis

Portfolio:	2017/18 Restated				
	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
Business (Development Services)	1,583	145	1,728	(145)	1,583
Cultural Services	4,880	(2,129)	2,751	2,129	4,880
Development Services	94	(231)	(137)	231	94
Finance	2,324	(418)	1,906	418	2,324
Health & Community Protection	2,495	(305)	2,190	305	2,495
Housing Services - General Fund	1,177	(212)	965	212	1,177
Housing Revenue Account	(9,943)	(556)	(10,499)	556	(9,943)
Neighbourhood Services	5,557	(1,519)	4,038	1,519	5,557
Strategic Leadership	1,572	(613)	959	743	1,702
<b>Net Costs of Services</b>	<b>9,739</b>	<b>(5,838)</b>	<b>3,901</b>	<b>5,968</b>	<b>9,869</b>
Other Income and Expenditure	(13,845)	2,766	(11,079)	(2,930)	(14,009)
<b>(Surplus) or Deficit</b>	<b>(4,106)</b>	<b>(3,072)</b>	<b>(7,178)</b>	<b>3,038</b>	<b>(4,140)</b>
<b>Opening General Fund and HRA Balance</b>			<b>(41,983)</b>		
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance in			(7,178)		
<b>Closing General Fund and HRA Balance at 31 March *</b>			<b>(49,161)</b>		

## Restatement of Note to the Expenditure & Funding Analysis

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

Changed to Adjustments between Funding and Accounting Basis				2017/18
	Changes	Changes	Changes	Changes
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	253	(106)	(2)	145
Cultural Services	-	(2)	-	(2)
Development Services	(1)	(227)	(3)	(231)
Development Services & Business	(252)	335	5	88
Finance	24	(49)	-	(25)
Health & Community Protection	43	-	-	43
Housing Services - General Fund	(114)	(98)	-	(212)
Housing & Property Services	297	186	(131)	352
Housing Revenue Account	-	-	-	-
Neighbourhood Services	-	49	-	49
Strategic Leadership	(250)	(88)	131	(207)
<b>Net Cost Of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other income and expenditure from the				
Other income and expenditure from the Expenditure and Funding Analysis	-	-	-	-
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	0	0

## NOTES TO THE ACCOUNTS

Restated Adjustments between Funding and Accounting Basis				2017/18
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Restated Adjustments for Capital Purposes	Restated Net change for the Pension Adjustment	Restated Other Adjustments	Restated Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	253	(106)	(2)	145
Cultural Services	(1,965)	(177)	13	(2,129)
Development Services	(1)	(227)	(3)	(231)
Development Services & Business	-	-	-	-
Finance	(31)	(385)	(2)	(418)
Health & Community Protection	(101)	(205)	1	(305)
Housing Services - General Fund	(114)	(98)	-	(212)
Housing & Property Services	-	-	-	-
Housing Revenue Account	(274)	(281)	(1)	(556)
Neighbourhood Services	(1,305)	(211)	(3)	(1,519)
Strategic Leadership	(342)	(401)	130	(613)
<b>Net Cost Of Services</b>	<b>(3,880)</b>	<b>(2,091)</b>	<b>133</b>	<b>(5,838)</b>
Other income and expenditure from the				
Other income and expenditure from the Expenditure and Funding Analysis	2,429	(1,012)	1,349	2,766
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	<b>(1,451)</b>	<b>(3,103)</b>	<b>1,482</b>	<b>(3,072)</b>

### Restatement of Expenditure & Funding Analysis Segmental Income Note

	Audited 2017/18	Change	Restated 2017/18
Portfolio	Income from Services	Income from Services	Income from Services
	£000	£000	£000
Business (Development Services)	-	496	496
Culture	1,719	9	1,728
Development Services	-	2,419	2,419
Development Services & Business	3,096	(3,096)	-
Finance	460	1	461
Health & Community Protection	639	-	639
Housing & Property Services	904	(904)	-
Housing Services	-	390	390
Housing Revenue Account	27,742	-	27,742
Neighbourhood	5,747	-	5,747
Strategic Leadership	401	685	1,086
<b>Total income analysed on a segmental basis</b>	<b>40,708</b>	<b>-</b>	<b>40,708</b>

## 7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE ACCOUNTS

	2018/19				
	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
<b>Portfolio:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business (Development Services)	2,785	(855)	1,930	786	2,716
Cultural Services	10,105	(6,177)	3,928	4,654	8,582
Development Services	318	(208)	110	208	318
Finance	2,233	(255)	1,978	245	2,223
Health & Community Protection	3,051	(564)	2,487	562	3,049
Housing Services - General Fund	1,391	(181)	1,210	142	1,352
Housing Revenue Account	6,273	(12,435)	(6,162)	(779)	(6,941)
Neighbourhood Services	6,202	(1,319)	4,883	224	5,107
Strategic Leadership	2,442	(1,245)	1,197	395	1,592
<b>Net Costs of Services</b>	<b>34,800</b>	<b>(23,239)</b>	<b>11,561</b>	<b>6,437</b>	<b>17,998</b>
Other Income and Expenditure	(14,126)	(1,382)	(15,508)	1,502	(14,006)
<b>(Surplus) or Deficit</b>	<b>20,674</b>	<b>(24,621)</b>	<b>(3,947)</b>	<b>7,939</b>	<b>3,992</b>

<b>Opening General Fund and HRA Balance</b>	<b>(49,161)</b>
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance	(3,947)
<b>Closing General Fund and HRA Balance at 31 March *</b>	<b>(53,108)</b>

	2017/18 Restated				
	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
<b>Portfolio:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business (Development Services)	1,583	145	1,728	(145)	1,583
Cultural Services	4,880	(2,129)	2,751	2,129	4,880
Development Services	94	(231)	(137)	231	94
Finance	2,324	(418)	1,906	418	2,324
Health & Community Protection	2,495	(305)	2,190	305	2,495
Housing Services - General Fund	1,177	(212)	965	212	1,177
Housing Revenue Account	(9,943)	(556)	(10,499)	556	(9,943)
Neighbourhood Services	5,557	(1,519)	4,038	1,519	5,557
Strategic Leadership	1,572	(613)	959	743	1,702
<b>Net Costs of Services</b>	<b>9,739</b>	<b>(5,838)</b>	<b>3,901</b>	<b>5,968</b>	<b>9,869</b>
Other Income and Expenditure	(13,845)	2,766	(11,079)	(2,930)	(14,009)
<b>(Surplus) or Deficit</b>	<b>(4,106)</b>	<b>(3,072)</b>	<b>(7,178)</b>	<b>3,038</b>	<b>(4,140)</b>

<b>Opening General Fund and HRA Balance</b>	<b>(41,983)</b>
Less / Plus Surplus / (Deficit) on General Fund and HRA Balance	(7,178)
<b>Closing General Fund and HRA Balance at 31 March *</b>	<b>(49,161)</b>

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

## NOTES TO THE ACCOUNTS

### Note to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis				
				2018/19
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	(745)	(107)	(3)	(855)
Cultural Services	(6,017)	(157)	(3)	(6,177)
Development Services	-	(207)	(1)	(208)
Finance	(41)	(214)	-	(255)
Health & Community Protection	(356)	(205)	(3)	(564)
Housing Services - General Fund	(92)	(88)	(1)	(181)
Housing Revenue Account	(12,188)	(244)	(3)	(12,435)
Neighbourhood Services	(1,097)	(217)	(5)	(1,319)
Strategic Leadership	(893)	(351)	(1)	(1,245)
<b>Net Cost Of Services</b>	<b>(21,429)</b>	<b>(1,790)</b>	<b>(20)</b>	<b>(23,239)</b>
Other income and expenditure from the Expenditure and Funding Analysis	1,535	(1,053)	(1,864)	(1,382)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(19,894)</b>	<b>(2,843)</b>	<b>(1,884)</b>	<b>(24,621)</b>

Adjustments between Funding and Accounting Basis				
				2017/18 Restated
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Accounts	Adjustments for Capital Purposes	Net change for the Pension Adjustment	Other Adjustments	Total Adjustments
	(Note 1)	(Note 2)	(Note 3)	(Note 3)
	£000	£000	£000	£000
Business (Development Services)	253	(106)	(2)	145
Cultural Services	(1,965)	(177)	13	(2,129)
Development Services	(1)	(227)	(3)	(231)
Finance	(31)	(385)	(2)	(418)
Health & Community Protection	(101)	(205)	1	(305)
Housing Services - General Fund	(114)	(98)	-	(212)
Housing Revenue Account	(274)	(281)	(1)	(556)
Neighbourhood Services	(1,305)	(211)	(3)	(1,519)
Strategic Leadership	(342)	(401)	130	(613)
<b>Net Cost Of Services</b>	<b>(3,880)</b>	<b>(2,091)</b>	<b>133</b>	<b>(5,838)</b>
Other income and expenditure from the Expenditure and Funding Analysis	2,429	(1,012)	1,349	2,766
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(1,451)</b>	<b>(3,103)</b>	<b>1,482</b>	<b>(3,072)</b>

## Adjustments for Capital Purposes

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

## Net Changes for the Pensions Adjustments

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

## Other Differences

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

## NOTES TO THE ACCOUNTS

### Segmental Income

Income received on a segmental basis is analysed below:

	2018/19	Restated 2017/18
Portfolio	Income from Services	Income from Services
	£000	£000
Business (Development Services)	594	496
Cultural Services	1,772	1,728
Development Services	2,652	2,419
Finance	580	461
Health & Community Protection	577	639
Housing Services - General Fund	346	390
Housing Revenue Account	27,448	27,742
Neighbourhood Services	5,886	5,747
Strategic Leadership	851	1,086
<b>Total income analysed on a segmental basis</b>	<b>40,706</b>	<b>40,708</b>

### 8. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2018/19	2017/18
	£000	£000
<b>Expenditure</b>		
Employee benefits expenses	19,889	19,404
Other services expenses	54,567	51,867
Depreciation, amortisation and impairment	15,798	11,140
Interest payments	4,770	4,717
Precepts and Levies	1,523	1,413
Payments to Housing Capital Receipts Pool	961	961
<b>Total Expenditure</b>	<b>97,508</b>	<b>89,502</b>
<b>Income</b>		
Fees, charges and other service income	(40,706)	(40,708)
Gain on the disposal of assets	(770)	(1,169)
Interest and investment income	(937)	(418)
Income from Council Tax and Business Rates	(14,235)	(13,484)
Government grants and contributions	(36,868)	(37,863)
<b>Total Income</b>	<b>(93,516)</b>	<b>(93,642)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>3,992</b>	<b>(4,140)</b>



### Revenue from Contracts with Service Recipients

The Council recognises its revenue from service recipients in line with IFRS15 Revenue from Contracts with Customers (Service Recipients). A service recipient is a party that has contracted with an authority to obtain goods or services that are an output of the Authorities normal operating activities in exchange for consideration (Revenue).

Amounts included in the Balance Sheet for contracts with service recipients:

	2018/19	2017/18
	£000	£000
Receivables which are included in debtors (Note 20)	4,187	3,354
Contract Assets	(1,252)	(1,867)
Contract Liabilities	(530)	(729)
<b>Total Included in Net Assets</b>	<b>2,405</b>	<b>758</b>

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	2017/18	2017/18	2018/19	2018/19
	£000	£000	£000	£000
	Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
Contract assets and liabilities at the beginning of the year	2,030	(582)	1,487	(729)
Increases (decreases) due to cash received (paid)	(1,997)	582	(1,370)	729
Transfers from contract assets (liabilities) recognised at the beginning of the period to receivables (payables)	33	-	117	-
Changes as a result of changes in the measure of progress	1,454	(729)	2,818	(530)
<b>Contract assets and liabilities at the end of the year</b>	<b>1,487</b>	<b>(729)</b>	<b>2,935</b>	<b>(530)</b>

The value of revenue that it is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

	2018/19	2017/18
	£000	£000
Not later than one year	(530)	(729)
<b>Amounts of transaction price, partially or fully unsatisfied</b>	<b>(530)</b>	<b>(729)</b>

## 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 for funding Housing Revenue Account services.

#### **Housing Revenue Account Balance**

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

#### **Major Repairs Reserve**

Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve. This reserve can be used to fund capital expenditure to help maintain or improve HRA assets, or repay HRA debt.

#### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets that are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

#### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which there are no conditions or the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

## NOTES TO THE ACCOUNTS

2018/19	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>					
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)	(2,455)	(388)			
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(1,664)	-			
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(18)	(2)			
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	(200)				
■ 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)	(6,626)	(3,009)			
<b>Total Adjustments to the Revenue Account</b>	<b>(10,963)</b>	<b>(3,399)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	129	2,522	(2,651)		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(961)		961		
Posting of HRA resources from Revenue to the Major Repairs Reserve				(6,616)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,891	2,404	-	-	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,059</b>	<b>4,926</b>	<b>(1,690)</b>	<b>(6,616)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure			1,813		
Use of the Major Repairs Reserve to finance capital expenditure				7,759	
Application of capital grants unapplied credited to the CIES	438				(438)
<b>Total Adjustments to Capital Resources</b>	<b>438</b>	<b>-</b>	<b>1,813</b>	<b>7,759</b>	<b>(438)</b>
<b>Total Adjustments</b>	<b>(9,466)</b>	<b>1,527</b>	<b>123</b>	<b>1,143</b>	<b>(438)</b>

## NOTES TO THE ACCOUNTS

2017/18	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
■ Pensions costs (transferred to (or from) the Pensions Reserve)	(2,686)	(417)	-	-	-
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,385	-	-	-	-
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	3	(1)	-	-	-
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,084)	(2,331)	-	-	-
<b>Total Adjustments to the Revenue Account</b>	<b>(3,382)</b>	<b>(2,749)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	17	3,635	(3,652)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(961)	-	961	-	-
Posting of HRA resources from Revenue to the Major Repairs Reserve	-	-	-	(6,511)	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	828	(426)	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(116)</b>	<b>3,209</b>	<b>(2,691)</b>	<b>(6,511)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	745	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,051	-
Application of capital grants to finance capital expenditure	-	-	-	-	67
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>745</b>	<b>4,051</b>	<b>67</b>
<b>Total Adjustments</b>	<b>(3,498)</b>	<b>460</b>	<b>(1,946)</b>	<b>(2,460)</b>	<b>67</b>

### 10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19:

## NOTES TO THE ACCOUNTS

	Balance at	Transfers Out	Transfers In	Balance at	Transfers Out	Transfers In	Balance at
	1 April	2017/18	2017/18	31 March	2018/19	2018/19	31/03/2019
	2017			2018			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
Art Fund Reserve	71	-	4	75	(77)	2	-
Art Gallery Gift Reserve	57	-	-	57	-	72	129
Building Control Reserve	229	(90)	-	139	(17)	57	179
Business Rate Retention Volatility Reserve	445	(306)	750	889	(234)	3,881	4,536
Capital Investment Reserve	1,833	(891)	307	1,249	(303)	260	1,206
Car Park Displacement Reserve	-	-	100	100	(296)	800	604
Car Parks Repairs & Maintenance Reserve	790	(214)	156	732	(388)	39	383
Cemetery Land Purchase Reserve	3	-	13	16	-	-	16
Commonwealth Games Reserve	-	-	-	-	(59)	100	41
Community Forums Reserve	71	(38)	-	33	(26)	14	21
Community Projects Reserve	-	(241)	868	627	(769)	1,966	1,824
Corporate Assets Reserve	2,379	-	-	2,379	(362)	112	2,129
Covent Garden Multi Storey Reserve	900	-	-	900	-	-	900
Digital by Default Reserve	-	-	-	-	-	114	114
Earmarked Balances Reserve	288	(288)	799	799	(799)	1,606	1,606
Election Expenses Reserve	45	-	30	75	-	30	105
Energy Management Reserve	108	-	4	112	(112)	-	-
Enterprise Projects Reserve	82	-	27	109	(3)	64	170
Equipment Renewals Reserve	782	(54)	-	728	(107)	-	621
G M Commuted Sums Reserve	548	(63)	-	485	(78)	13	420
GF Early Retirements Reserve	33	(69)	200	164	(79)	-	85
Harbury Lane Reserve	-	-	84	84	-	-	84
Hill Close Gardens Reserve	60	(20)	-	40	(20)	-	20
Homelessness Prevention Reserve	-	-	267	267	(109)	364	522
ICT Replacement Reserve	507	(147)	-	360	(292)	8	76
Insurance Reserve	292	(3)	-	289	(15)	-	274
Investment Volatility Reserve	-	-	100	100	-	-	100
Leisure Options Reserve	2,057	(967)	400	1,490	(1,427)	-	63
Local Plan Delivery Reserve	149	-	-	149	(137)	-	12
Planning Investment Reserve	-	-	40	40	(157)	294	177
Planning Appeal Reserve	470	(142)	81	409	(74)	149	484
Public Amenity Reserve	539	(195)	-	344	(7)	-	337
Public Open Space Planning Gain Reserve	958	(298)	79	739	(283)	17	473
Rent Bond Scheme Reserve	22	-	-	22	(22)	-	-
Revenue Grants / Contributions Received in Advance	720	(70)	63	713	(65)	116	764
Right to Bid Reserve	20	-	-	20	(20)	-	-
Right to Challenge Reserve	26	-	-	26	(26)	-	-
Riverside House Maintenance Reserve	30	-	-	30	(19)	-	11
Services Transformation Reserve	1,223	(322)	153	1,054	(773)	-	281
Tourism Reserve	39	(10)	-	29	(2)	-	27
<b>TOTAL GENERAL FUND</b>	<b>15,776</b>	<b>(4,428)</b>	<b>4,525</b>	<b>15,873</b>	<b>(7,157)</b>	<b>10,078</b>	<b>18,794</b>
<b>HRA:</b>							
HRA Capital Investment Reserve	22,932	-	6,159	29,091	(2,326)	3,999	30,764
HRA Early Retirements Reserve	102	(95)	20	27	(26)	20	21
HRA Rev Grants/Contribs In Advance Reserve	10	-	-	10	-	-	10
HRA Earmarked Reserves	164	(164)	11	11	(11)	-	-
HRA Rough Sleeping Initiative	-	-	-	-	-	46	46
<b>TOTAL HRA</b>	<b>23,208</b>	<b>(259)</b>	<b>6,190</b>	<b>29,139</b>	<b>(2,363)</b>	<b>4,065</b>	<b>30,841</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>38,984</b>	<b>(4,687)</b>	<b>10,715</b>	<b>45,012</b>	<b>(9,520)</b>	<b>14,143</b>	<b>49,635</b>

## NOTES TO THE ACCOUNTS

The purpose of the significant earmarked reserves is:

**Business Rates Volatility Reserve:** Used to provide finance for “smoothing out” future retained Business Rate revenues.

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

**Community Projects Reserve:** This reserve provides finance for various District wide community projects.

**Earmarked Balances Reserve:** This reserve contains unspent budgets relating to specific items which require to be transferred from 2018/19 to 2019/20 due to unavoidable delays etc.

**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.

**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	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
1,413	-	1,413	Parish Council Precepts	1,523	-	1,523
961	-	961	Payments to Govt. Housing Capital Receipts Pool	961	-	961
-	(1,169)	(1,169)	(Gain) or loss on the disposal of non-current assets	-	(770)	(770)
<b>2,374</b>	<b>(1,169)</b>	<b>1,205</b>	<b>Total</b>	<b>2,484</b>	<b>(770)</b>	<b>1,714</b>

### 12. Financing and Investment Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
4,717	-	4,717	Interest Payable and similar charges	4,769	-	4,769
1,012	-	1,012	Net Interest on the net defined benefit liability	1,053	-	1,053
-	(418)	(418)	Interest receivable and similar income	-	(937)	(937)
807	(512)	295	Income and expenditure in relation to investment properties and changes in their fair value	669	(512)	157
-	-	-	Financial Instrument Revaluations Income / Expenditure	200	-	200
<b>6,536</b>	<b>(930)</b>	<b>5,606</b>	<b>Total</b>	<b>6,691</b>	<b>(1,449)</b>	<b>5,242</b>

**13. Taxation and Non Specific Grant Income and Expenditure**

<b>Gross Income</b>		<b>Gross Income</b>
<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(9,736)	Council Tax income	(10,259)
(4,659)	Non-ringfenced Government Grants	(4,931)
(3,748)	Non-domestic rates income and expenditure	(3,977)
(2,677)	Capital Grants and Contributions	(1,795)
<b>(20,820)</b>	<b>Total</b>	<b>(20,962)</b>

**14. Property, Plant and Equipment**

<b>Movements on Balances</b>								
<b>Movements in 2018/19</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Property, Plant and Equipment £'000</b>
<b>Cost or valuation</b>								
At 1 April 2018	370,648	83,270	9,523	2,405	7,124	643	2,328	<b>475,941</b>
Additions	8,626	9,287	811	32	1,038	-	422	<b>20,216</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	10,093	(1,623)	-	-	-	(25)	-	<b>8,445</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(336)	(6,238)	-	-	-	11	-	<b>(6,563)</b>
Derecognition - disposals	(1,741)	-	-	-	-	-	-	<b>(1,741)</b>
Assets reclassified (to) / from Other Accounts	(84)	2,316	-	-	-	-	(2,316)	<b>(84)</b>
<b>At 31 March 2019</b>	<b>387,206</b>	<b>87,012</b>	<b>10,334</b>	<b>2,437</b>	<b>8,162</b>	<b>629</b>	<b>434</b>	<b>496,214</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2018	-	(4,450)	(7,202)	(375)	(477)	(344)	-	<b>(12,848)</b>
Depreciation charge for 2018/19	(6,046)	(2,693)	(389)	(61)	(47)	(43)	-	<b>(9,279)</b>
Depreciation written out to the Revaluation Reserve	5,934	1,897	-	-	-	74	-	<b>7,905</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	112	605	-	-	-	-	-	<b>717</b>
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	(8)	-	-	-	(5)	<b>(13)</b>
<b>At 31 March 2019</b>	<b>-</b>	<b>(4,641)</b>	<b>(7,599)</b>	<b>(436)</b>	<b>(524)</b>	<b>(313)</b>	<b>(5)</b>	<b>(13,518)</b>
<b>Net Book Value</b>								
<b>31 March 2019</b>	<b>387,206</b>	<b>82,371</b>	<b>2,735</b>	<b>2,001</b>	<b>7,638</b>	<b>316</b>	<b>429</b>	<b>482,696</b>
<b>31 March 2018</b>	<b>370,648</b>	<b>78,820</b>	<b>2,321</b>	<b>2,030</b>	<b>6,647</b>	<b>299</b>	<b>2,328</b>	<b>463,093</b>

## NOTES TO THE ACCOUNTS

<b>Movements on Balances</b>								
Movements in 2017/18	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Property, Plant and Equipment £'000
<b>Cost or valuation</b>								
At 1 April 2017	351,171	70,795	8,852	2,405	7,151	622	3,107	<b>444,103</b>
Additions	3,422	1	652	-	(27)	-	11,094	<b>15,142</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	18,447	661	-	-	-	25	-	<b>19,133</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	42	-	-	-	-	3	-	<b>45</b>
Derecognition - disposals	(2,336)	(49)	-	-	-	-	-	<b>(2,385)</b>
Assets reclassified (to) / from Other Accounts	(98)	11,862	19	-	-	(7)	(11,873)	<b>(97)</b>
<b>At 31 March 2018</b>	<b>370,648</b>	<b>83,270</b>	<b>9,523</b>	<b>2,405</b>	<b>7,124</b>	<b>643</b>	<b>2,328</b>	<b>475,941</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	-	(1,295)	(6,735)	(314)	(430)	(310)	-	<b>(9,084)</b>
Depreciation charge for 2017/18	(6,038)	(2,499)	(467)	(61)	(47)	(34)	-	<b>(9,146)</b>
Depreciation written out to the Revaluation Reserve	5,926	2,061	-	-	-	-	-	<b>7,987</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	112	210	-	-	-	-	-	<b>322</b>
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(1,262)	-	-	-	-	-	<b>(1,262)</b>
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	(1,665)	-	-	-	-	-	<b>(1,665)</b>
<b>At 31 March 2018</b>	<b>-</b>	<b>(4,450)</b>	<b>(7,202)</b>	<b>(375)</b>	<b>(477)</b>	<b>(344)</b>	<b>-</b>	<b>(12,848)</b>
<b>Net Book Value</b>								
<b>31 March 2018</b>	<b>370,648</b>	<b>78,820</b>	<b>2,321</b>	<b>2,030</b>	<b>6,647</b>	<b>299</b>	<b>2,328</b>	<b>463,093</b>
<b>31 March 2017</b>	<b>351,171</b>	<b>69,500</b>	<b>2,117</b>	<b>2,091</b>	<b>6,721</b>	<b>312</b>	<b>3,107</b>	<b>435,019</b>

### Depreciation

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

- Council houses - up to 60 years
- Other land and buildings - 5 to 80 years
- Vehicles, plant, furniture and equipment - 3 to 21 years
- Infrastructure - 40 years
- Community Assets – up to 100 years



**Capital Commitments and Planned Works 2018/19**

As at 31 March 2019, the Council has a significant number of planned works for the construction or enhancement of property, plant and equipment in 2019/20 and future years.

The major contractual commitments at 31 March 2019 are:

	£'000
<b>Housing Investment Programme:</b>	
Kitchen Fittings / Sanitaryware Replacement	1,373
Central Heating Replacement	1,240
Roof Coverings	1,118
Other Council House Improvements / Renewal	3,046
Fire safety in high-rise properties	875

**Revaluations**

The council carries out a rolling programme that ensures that all property, plant and equipment that is required to be measured at current value is revalued at least every five years to ensure that carrying value does not differ significantly from that of the current value at the end of the reporting period.

All property valuations were undertaken by Carter Jonas LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Non-operational Surplus Property assets are measured at fair value in accordance with IFRS13, and analysed by fair value hierarchy as per the below table:

As at 31 <sup>st</sup> March 2019	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	316	79	237	Direct observation of transactions involving similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>316</b>	<b>79</b>	<b>237</b>	

As at 31 <sup>st</sup> March 2018	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	299	68	231	Direct observation of transactions involving similar properties w ithin the local property market.
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>299</b>	<b>68</b>	<b>231</b>	

## NOTES TO THE ACCOUNTS

General Fund property values in the Balance Sheet are based on 1 April 2015, 1 April 2016, 1 April 2017, 1 April 2018 or 31 March 2019 valuations. Housing Revenue Account property values are based on 1 April 2019 valuations.

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, etc.	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	2,688	2,001	7,638	-	429	12,757
Valued at fair value as at:								
- 2018/19	387,206	66,461	-	-	-	323	-	453,990
- 2017/18	-	12,351	-	-	-	-	-	12,351
- 2016/17	-	2,825	-	-	-	(7)	-	2,818
- 2015/16	-	733	-	-	-	-	-	733
<b>Total Cost or Valuation</b>	<b>387,206</b>	<b>82,371</b>	<b>2,688</b>	<b>2,001</b>	<b>7,638</b>	<b>316</b>	<b>429</b>	<b>482,649</b>

It should be noted that the total figure in the table on the previous page does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £47k. This difference relates to the balance outstanding at 31 March 2019 on the Colour Copier and Dog Wardens Van Finance leases which is not included in the table above.

### 15. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from property, plant, and equipment.

The Leamington Spa Art Gallery & Museum at the Royal Pump Rooms has a collection of over 11,000 objects. The heritage assets held by the Council have been categorised as follows:

- Decorative Arts Collection
- Visual Arts Collections
- Other Heritage Assets

#### **Decorative Arts & Visual Arts Collections**

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

#### **Other**

This comprises the remainder of the Art Gallery and Museum's collections (Archaeology, Ethnography, Numismatics, Pictorial and Social History) and also the Abbey Fields Barn. In the case of the Art Gallery and Museum's collections some articles were valued externally as part of the September 2014 revaluation exercise referred to above but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff. During 2018/19, items amounting to £18,972 have been added to the Museum collection, all of which were of low intrinsic value. Items amounting to £29,268

## NOTES TO THE ACCOUNTS

have been added to the Fine Art Collection which includes a painting valued at £9,000 and a sculpture at £6,000.

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

Council policy on acquisitions, disposals, preservation and management are set out in the published Collections Development Policy which the Council reviews every five years. This is a requirement of the national accreditation scheme for museums which is managed by the Arts Council. Copies of this policy is available on the Council's website.

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

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

	<b>Decorative Arts Collection</b>	<b>Visual Arts Collection</b>	<b>Other</b>	<b>Heritage Assets Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>				
At 01/04/2018	331	6,923	1,017	8,271
Additions	1	25	18	44
Other Movements in Cost or Valuation	-	4	-	4
Depreciation	-	-	(4)	(4)
<b>At 31/03/2019</b>	<b>332</b>	<b>6,952</b>	<b>1,031</b>	<b>8,315</b>
At 01/04/2017	331	6,923	1,017	8,271
Additions	-	-	2	2
Depreciation	-	-	(3)	(3)
<b>At 31/03/2018</b>	<b>331</b>	<b>6,923</b>	<b>1,016</b>	<b>8,270</b>

A summary of Heritage Assets transactions is shown below:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of Acquisitions of Heritage Assets:</b>		
<b>Purchases:</b>		
Visual Arts	8	-
Social History	2	1
<b>Donations:</b>		
Decorative Arts	1	-
Visual Arts	17	-
Social History etc.	15	1
<b>Total cost of Acquisitions</b>	<b>43</b>	<b>2</b>
<b>Revaluation of Heritage Assets:</b>		
Visual Arts	4	-
<b>Total Revaluations</b>	<b>4</b>	<b>-</b>

## NOTES TO THE ACCOUNTS

### 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:

	2018/19	2017/18
	£'000	£'000
Rental income from investment property	512	512
Direct operating expenses arising from investment property	(635)	(382)
<b>Net gain / (loss)</b>	<b>(123)</b>	<b>130</b>

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

	2018/19	2017/18
	£'000	£'000
<b>Balance at start of the year</b>	11,000	11,425
Net gains / (losses) from fair value adjustments	(34)	(425)
<b>Balance at end of year</b>	<b>10,966</b>	<b>11,000</b>

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

#### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

As at 31 <sup>st</sup> March 2019	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	Direct observation of the passing rents on similar properties within the local property market.
2 - inputs other than quoted market prices	10,966	2,637	8,329	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>10,966</b>	<b>2,637</b>	<b>8,329</b>	

As at 31 <sup>st</sup> March 2018	Fair Value £'000	Land £'000	Buildings £'000	Valuation Technique Used to Determine Fair Value
1- quoted prices in active markets for identical assets	-	-	-	Direct observation of the passing rents on similar properties within the local property market.
2 - inputs other than quoted market prices	11,000	2,852	8,148	
3 - unobservable inputs for the asset	-	-	-	
<b>Total</b>	<b>11,000</b>	<b>2,852</b>	<b>8,148</b>	

There has been no change in the valuation techniques used during the year for investment properties.

**17. Financial Instruments**

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

Financial Assets	Non Current				Current				TOTAL	
	Investments		Debtors		Investments		Debtors		TOTAL	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit and loss	6,233	6,400	-	-	31,959	45,253	-	-	38,192	51,653
Amortised cost	3,017	-	6,071	741	27,795	30,979	8,306	7,118	45,189	38,838
<b>Total</b>	<b>9,250</b>	<b>6,400</b>	<b>6,071</b>	<b>741</b>	<b>59,754</b>	<b>76,232</b>	<b>8,306</b>	<b>7,118</b>	<b>83,381</b>	<b>90,491</b>

Financial Liabilities	Non Current				Current				TOTAL	
	Borrowings		Creditors		Borrowings		Creditors		TOTAL	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(136,201)	(136,217)	-	-	(3)	(3)	(16,227)	(14,724)	(152,431)	(150,944)
<b>Total Financial Liabilities</b>	<b>(136,201)</b>	<b>(136,217)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>(3)</b>	<b>(16,227)</b>	<b>(14,724)</b>	<b>(152,431)</b>	<b>(150,944)</b>

Financial Instruments Designated at Fair Value Through Profit or Loss

The Council has no financial liabilities designated as Fair Value Through Profit and Loss but the table below lists below the Council's financial assets designated as Fair Value Through Profit and Loss at 31st March 2019 together with the maximum exposure and potential change in fair value associated with the credit risk relevant to the particular asset. With regard to the two equity funds it is considered that current market prices are an appropriate reflection of credit risk hence no potential change in fair value is shown. No derivatives have been entered into in order to mitigate any potential losses through credit risk.

## NOTES TO THE ACCOUNTS

FINANCIAL INSTRUMENTS THROUGH PROFIT AND LOSS					
Asset	Rating	Exposure at 31 March 2019 £000	Maximum Exposure £000	Credit Default Risk	Maximum potential change in fair value through credit risk £000
Federated Money LVNAV Market Fund	AAAm / Aaa-mf/AAAmmf	5,000	10,000	0.04%	4
Federated Cash Plus VNAV Account	AAAf S1 / Aaa-bf/ AAA/V1	6,000	6,000	0.04%	2
Deutsche Global LVNAV MMF	AAAm / Aaa-mf/AAAmmf	0	10,000	0.04%	4
Aberdeen/Standard Life (Ignis) LVNAV Money Market Fund	AAAm / Aaa-mf/AAAmmf	8,345	10,000	0.04%	4
Goldman Sachs LVNAV Money Market Fund	AAAm / Aaa-mf/AAAmmf	0	10,000	0.04%	4
Royal London Cash Plus VNAV Money Market Fund	AAAf S1 / Aaa-bf/ AAA/V1	6,000	6,000	0.04%	2
Invesco LVNAV Money Market Fund	AAAm / Aaa-mf/AAAmmf	0	10,000	0.04%	4
Royal London Equity Income Fund	Low Risk	3,066	4,000	N/A	-
Threadneedle Equity Income Fund	Low Risk	2,909	4,000	N/A	-
Metropolitan Life Global Funding Floating Rate Note	AA-	1,000	7,000	0.05%	4
GE Capital UK Funding Bond	A	2,052	4,000	0.02%	1
Toronto Dominion CD	AA-	2,000	8,000	0.02%	2
Standard Chartered CD	A+	1,500	7,000	0.05%	4
<b>Total</b>					<b>34</b>

The above disclosures have been prepared using a variety of sources including credit ratings and historic default rates supplies through Link Asset Services, the Council's Treasury Management Advisors.

### Income, Expense, Gains and Losses

	31 March 2019 Surplus or Deficit on the Provision of Services £'000	31 March 2019 Other Comprehensive Income and Expenditure £'000	31 March 2018 Surplus or Deficit on the Provision of Services £'000	31 March 2018 Other Comprehensive Income and Expenditure £'000
<b>Net gains / losses on:</b>				
Financial assets at fair value through profit and loss	(200)		(173)	
<b>Total net gains or losses</b>	<b>(200)</b>	<b>-</b>	<b>(173)</b>	<b>-</b>
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	605		340	
Other financial assets measured at fair value through profit or loss	320		78	
<b>Total interest revenue</b>	<b>925</b>	<b>-</b>	<b>418</b>	<b>-</b>
<b>Interest expense</b>				
<b>Fee expense:</b>				
Financial assets or financial liabilities that are not at fair value through profit or loss	(4,769)		(4,717)	
Trust and other fiduciary activities	-		-	
<b>Total fee expense</b>	<b>(4,769)</b>	<b>-</b>	<b>(4,717)</b>	<b>-</b>

## Fair Values of Assets and Liabilities

The majority of the Council's financial assets and all of its financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining term of the instruments using the following assumptions:

- For investments the prevailing benchmark market rates have been used to provide fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of debtors and creditors is taken to be the invoiced or billed amount.

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input Level in Fair Value Hierarchy	Valuation Techniques Used to Measure Fair Value	As at 31/3/2019 £'000's	As at 31/3/2018 (Restated) £'000's
<b>Financial Assets - Fair Value through Profit and Loss</b>				
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	6,234	5,895
Money Market Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	25,615	35,122
Certificates of Deposit, Bonds, etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	6,344	10,636

Non-current Investments of £9.252m in the Balance Sheet comprise of £6.344m corporate equity funds as shown in the table above, and £3.017m simple deposit at amortised cost.

Current investments of £59.753m are made up of £25.615m of money market funds and £6.344m of certificates of deposit, bond and fixed rate notice investments, as shown in the table above, as well as £27.795m simple deposits at amortised cost.

Based on information received from the respective equity fund managers, two Corporate Equity Funds (Royal London Asset Management and Columbia Threadneedle) are on a Level 2 basis; this view has been confirmed by Link Asset Services, the Council's Treasury Management consultants. The rationale for considering that both funds are on a Level 2 basis is that whilst the underlying individual investments within the funds are regularly traded within an active market and thus could be considered to be Level 1, the fund themselves are not. Rather the funds are priced by the fund managers who use the prices of the underlying individual investments to determine a unit price for the fund itself.

Based on information supplied by the fund managers when appointed in March 2017 with regard to the qualifications, experience and proven track records of the staff managing the Council's respective funds, the Council is satisfied that the funds are professionally managed and the valuations are accurate.

The Council's certificate of deposit and corporate bond investments have been revalued in the accounts to fair value at 31 March 2019 using prices supplied by its custodians, King & Shaxson Ltd., at 31 March 2019. As these prices directly relate to these investments within an active market it is considered that the prices supplied by King & Shaxson (which is the "mid-price" at 31 March for each individual investment) are on a Level 1 basis.

## NOTES TO THE ACCOUNTS

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 28 March 2012, in order to fulfil its obligations under the new HRA self-financing regime. Although PWLB non-current 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 IFRS 13 requires that the fair value should be calculated using two different interest rates - the PWLB redemption rate and the PWLB certainty rate. The Council's Treasury Management consultants, Link Asset Services, has calculated the required fair values of these PWLB loans at 31 March using the PWLB redemption rate and these are £224,459,904. The difference between this figure and the £136,157,000 carried in the balance sheet represents the premiums that would be charged for early redemption of the loans as the current interest rates are below those in force when the borrowing took place in March 2012. However, the Council has a continuing ability to borrow from the PWLB at its certainty rate and on this basis the fair value of the £136,157,000 is £176,168,963 including potential premiums of £40,011,963. 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 Link Asset Services has adopted a Level 2 input basis i.e. "inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly".

Except for the financial assets carries at fair value described in the table on the previous page, all other financial assets and liabilities held by the Council are carried in the Balance Sheet at amortised cost.

The Fair Values are calculated as follows:

Financial Assets	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Short-term investments	27,795	27,795	30,979	30,979
Long-term investments	3,017	3,017	-	-
Short-term debtors	8,306	8,306	7,118	7,118
Long-term debtor	6,071	6,071	741	741
<b>Total Financial Assets</b>	<b>45,189</b>	<b>45,189</b>	<b>38,838</b>	<b>38,838</b>

Financial Liabilities	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	(136,157)	(179,169)	(136,157)	(175,830)
Short-term creditors	(16,227)	(16,227)	(14,724)	(14,724)
Short-term finance lease liability	(3)	(3)	(3)	(3)
Long-term finance lease liability	(44)	(44)	(60)	(60)
<b>Total Financial Liabilities</b>	<b>(152,431)</b>	<b>(195,443)</b>	<b>(150,944)</b>	<b>(190,617)</b>



**18. 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.

	2018/19	2017/18
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>122</b>	122
Assets newly classified as held for sale:		
- Property, Plant and Equipment	84	98
Revaluation gains	-	24
Assets sold	(122)	(122)
<b>Balance outstanding at year-end</b>	<b>84</b>	<b>122</b>

**19. Debtors**

Debtors are amounts due to the Council. The presentation of the 2017/18 figures has been updated to reflect the new Code requirements for the presentation of Debtors.

	31 March 2019	31 March 2018
	£'000	£'000
Trade receivables	2,935	1,487
Prepayments	201	825
Other receivable amounts :-		
External funding	723	264
VAT	1,118	527
Business rates/Council Tax etc	2,803	3,091
Investments	1	1
<b>Total Debtors</b>	<b>7,781</b>	<b>6,195</b>

**20. Debtors for Local Taxation**

The Past due but not impaired amount for Local Taxation (Council Tax & non-domestic Rates) can be analysed by age as follows:

	31 March 2019	31 March 2018
	£'000	£'000
Less than three months	2,963	3,189
Three to six months	757	563
Six months to one year	744	698
More than one year	844	556
<b>Total Debtors</b>	<b>5,308</b>	<b>5,006</b>

**21. Cash and Cash Equivalents**

The Balance of the Council's Cash and Cash Equivalents is made up of the following elements:

	31 March 2019	31 March 2018
	£'000	£'000
Cash held by the Council	5	5
Bank current accounts	412	(839)
Money Market deposits	26,949	41,202
<b>Total Cash and Cash Equivalents</b>	<b>27,366</b>	<b>40,368</b>

## NOTES TO THE ACCOUNTS

### 22. Creditors

Creditors are amounts owed to others by the Council. The presentation of the 2017/18 figures has been updated to reflect the new Code requirements for the presentation of Creditors.

	31 March 2019	31 March 2018
	£'000	£'000
Trade payables	(8,228)	(7,102)
Other payable amounts :-		
External Funding	(680)	(477)
Business Rates, Council tax etc	(9,141)	(12,253)
Investments	(3)	-
<b>Total Creditors</b>	<b>(18,052)</b>	<b>(19,832)</b>

### 23. Provisions

Provisional Liabilities Payable in More Than One Year	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2018</b>	1,823	246	202	2,271
Additional provisions made in 2018/19	997	-	86	1,083
Unused amounts reversed in 2018/19	-	(11)	-	(11)
Amounts payable < 1 year transferred to short term provision	-	(12)	(13)	(25)
<b>Balance at 31 March 2019</b>	<b>2,820</b>	<b>223</b>	<b>275</b>	<b>3,318</b>

Provisional Liabilities Payable in Less Than One Year	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000
<b>Balance at 1 April 2018</b>	<b>1,800</b>	<b>38</b>	<b>50</b>	<b>1,888</b>
Additional provisions made in 2018/19	1,493	-	-	1,493
Amounts used in 2018/19	(1,893)	(17)	(25)	(1,935)
Amounts payable < 1 year transferred from long term provision	-	12	13	25
<b>Balance at 31 March 2019</b>	<b>1,400</b>	<b>33</b>	<b>38</b>	<b>1,471</b>

#### Business Rates Appeals

Many companies employ specialists to try to have their business rates reduced. The claims are submitted to the Valuation Office and can take several years to be agreed. If the claims are approved refunds covering several years can result. Such payments can be substantial. The Council employs a specialist company to access the likelihood of successful claims.

#### Insurances

The potential for insurance claims is assessed annually by the Insurance Officer and the provisions are adjusted accordingly. A separate provision is maintained for the General Fund and the Housing Revenue Account.

**24. Unusable Reserves**

31 March 2018		31 March 2019
£000		£000
81,155	Revaluation Reserve	96,514
788	Deferred Capital Receipts Reserve	788
(99)	Financial Instruments Revaluation Reserve	(299)
254,210	Capital Adjustment Account	252,822
(12)	Financial Instruments Adjustment Account	(12)
(38,123)	Pensions Reserve	(48,466)
2,594	Collection Fund Adjustment Account	929
(287)	Accumulated Absences Account	(308)
<b>300,226</b>	<b>Total Unusable Reserves</b>	<b>301,967</b>

**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.

2017/18		2018/19	
£000		£000	£000
<b>56,375</b>	<b>Balance at 1 April</b>		<b>81,155</b>
27,610	Upward revaluation of assets	19,632	
(1,751)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(3,280)	
25,859	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		16,352
(848)	Difference between fair value depreciation and historical cost depreciation	(790)	
(231)	Accumulated gains on assets sold or scrapped	(203)	
(1,079)	Amount written off to the Capital Adjustment Account		(993)
<b>81,155</b>	<b>Balance at 31 March</b>		<b>96,514</b>

**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.

## NOTES TO THE ACCOUNTS

When the deferred cash settlement eventually takes place amounts are transferred to the Capital Receipts Reserve.

2017/18		2018/19
£'000		£'000
788	Balance at 1 April	788
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	-
<b>788</b>	<b>Balance at 31 March</b>	<b>788</b>

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are:

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

2017/18		2018/19
£'000		£'000
<b>74</b>	<b>Balance at 1 April</b>	<b>(99)</b>
6	Upward revaluation of investments	-
(179)	Downward revaluation of investments	-
	Change in impairment loss allowances	(200)
<b>(99)</b>	<b>Balance at 31 March</b>	<b>(299)</b>

### Capital Adjustment Account

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

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

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

## NOTES TO THE ACCOUNTS

2017/18		2018/19	
£'000		£'000	£'000
<b>258,792</b>	<b>Balance at 1 April</b>		<b>254,210</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(10,795)	- Charges for depreciation and impairment of non-current assets	(9,287)	
347	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	(5,846)	
(1)	- Amortisation of intangible assets	(1)	
(265)	- Revenue expenditure funded from capital under statute	(663)	
(2,484)	- 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	(1,881)	
<b>(13,198)</b>			<b>(17,678)</b>
231	Accumulated gains on assets sold or scrapped		203
848	Difference between fair value depreciation and historical cost depreciation		790
<b>(12,119)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(16,685)</b>
	<b>Capital Financing applied in the year:</b>		
745	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,814	
4,051	- Use of the Major Repairs Reserve to finance new capital expenditure	7,760	
2,651	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,322	
67	- Application of grants to capital financing from the Capital Grants Unapplied Account	-	
402	- Capital expenditure charged against the General Fund and HRA balances	4,295	
<b>7,916</b>			<b>15,191</b>
43	Minimum Revenue Provision		106
(425)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(34)
3	Removal of initial recognition of Donate Assets credited to the Comprehensive Income and Expenditure Statement		34
<b>254,210</b>	<b>Balance at 31 March</b>		<b>252,822</b>

## NOTES TO THE ACCOUNTS

### Pensions Reserve

The Pension Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

2017/18		2018/19
£'000		£'000
(37,938)	Balance at 1 April	(38,123)
2,918	Remeasurements of the net defined benefit liability	(7,500)
(5,358)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,488)
2,255	Employer's pensions contributions and direct payments to pensions payable in the year	2,645
<b>(38,123)</b>	<b>Balance at 31 March</b>	<b>(48,466)</b>

### Collection Fund Adjustment Account

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

Council Tax	NNDR	Total		Council Tax	NNDR	Total
2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
£'000	£'000	£'000		£'000	£'000	£'000
(13)	1,222	1,209	Balance at 1 April	64	2,530	2,594
77	1,308	1,385	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	95	(1,760)	(1,665)
<b>64</b>	<b>2,530</b>	<b>2,594</b>	<b>Balance at 31 March</b>	<b>159</b>	<b>770</b>	<b>929</b>

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from this account.

2017/18		2018/19	
£'000		£'000	£'000
(289)	<b>Balance at 1 April</b>		(287)
289	Settlement or cancellation of accrual made at the end of the preceding year	287	
(287)	Amounts accrued at the end of the current year	(308)	
2	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(21)
(287)	<b>Balance at 31 March</b>		(308)

**25. Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

2017/18		2018/19	
£'000		£'000	
(646)	Interest received		(440)
4,713	Interest paid		4,767
3	Interest element of finance lease payments		3

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

2017/18		2018/19	
£'000		£'000	
(9,149)	Depreciation		(9,280)
(1,298)	Impairment and revaluations in Consolidated Income and Expenditure		(5,858)
(1)	Amortisation of intangible assets		(1)
(3,503)	(Increase) / decrease in creditors		(102)
2,354	Increase / (decrease) in debtors		2,080
(51)	(Increase) / decrease in impairment for bad debt		(108)
(5)	Increase / (decrease) in inventories		-
(3,103)	Movement in pension liability		(2,843)
(2,484)	Carrying amount of non-current assets, assets held for sale, sold or derecognised		(1,863)
100	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		(721)
(17,140)			(18,696)

## NOTES TO THE ACCOUNTS

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

2017/18		2018/19
£'000		£'000
-	Investment gains / (losses)	(199)
3,635	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,598
2,797	Any other items for which the cash effects are investing or financing cash flows	4,276
<b>6,432</b>		<b>6,675</b>

### 26. Cash Flow Statement – Investing Activities

2017/18		2018/19
£'000		£'000
14,537	Purchase of property, plant and equipment, investment property and intangible assets	27,683
35,104	Purchase of short-term and long-term investments	38,052
(3,635)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(2,598)
(29,916)	Proceeds from the sale of short-term and long-term investments	(37,050)
(5,329)	Other receipts from investing activities	(4,456)
<b>10,761</b>	<b>Net cash flows from investing activities</b>	<b>21,631</b>

### 27. Cash Flow Statement – Financing Activities

2017/18		2018/19
£'000		£'000
(471)	Other receipts from financing activities	(616)
15	Cash payments for the reduction of outstanding liabilities relating to finance leases	16
(67)	Other payments for financing activities	-
<b>(523)</b>	<b>Net cash flows from financing activities</b>	<b>(600)</b>

### 28. Reconciliation of Liabilities Arising from Financing Activities

	2018/19	Non-cash changes			2018/19
	1 April	Financing cash flows	Acquisition	Other non-cash changes	31 March
	£'000				£'000
Long-term borrowings	(136,157)	-	-	-	(136,157)
Lease liabilities	(63)	16	-	-	(47)
<b>Total liabilities from financing activities</b>	<b>(136,220)</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>(136,204)</b>



**29. Members' Allowances**

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

Allowances	2018/19	2017/18
	£'000	£'000
Basic	247	229
Special Responsibility	74	64
Chair and Vice Chair Allowances	17	17
Co-Optees	1	1
Other Allowances (Travel, Subsistence, etc.)	1	4
<b>Total</b>	<b>340</b>	<b>315</b>

**30. Officers' Remuneration**

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

Post Title		Salary including Fees and Allowances	Pension Contribution	Total Remuneration including Pension Contribution
		£	£	£
Chief Executive	2018/19	110,175	21,594	131,769
	2017/18	119,445	21,171	140,616
Deputy Chief Executive	2018/19	89,679	17,577	107,256
	2017/18	90,909	17,232	108,141
Deputy Chief Executive	2018/19	89,679	17,577	107,256
	2017/18	87,921	17,232	105,153
Head of Finance	2018/19	79,066	15,497	94,563
	2017/18	78,766	15,193	93,959

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

Remuneration Band	2018/19		2017/18	
	Number of Employees		Number of Employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	4	2	2	-
£55,000 - £59,999	1	-	1	-
£60,000 - £64,999	3	-	3	-
£65,000 - £69,999	1	-	-	-
£85,000 - £89,999	-	-	1	1

## NOTES TO THE ACCOUNTS

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

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	12	1	-	3	12	4	118,807	21,254
£20,001 - £40,000	-	2	-	-	-	2	-	59,142
£40,001 - £60,000	1	1	-	-	1	1	53,673	45,855
<b>Total</b>	<b>13</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>13</b>	<b>7</b>	<b>172,480</b>	<b>126,251</b>

### 31. External Audit Costs

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

	2018/19	2017/18
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	41	54
Additional fees payable to Grant Thornton in respect of prior year external audit services	49	-
Audit Fee - Objections to Accounts	18	-
Fees payable to Grant Thornton for the certification of grant claims and returns	31	12
<b>Total</b>	<b>139</b>	<b>66</b>

### 32. Usable Reserves

The movements on the Council's Usable Reserves are detailed in the Movement in Reserves Statement:

31 March 2018		31 March 2019
£'000		£'000
18,597	General Fund Revenue Balance	20,813
30,564	Housing Revenue Account Balance	32,295
9,242	Major Repairs Reserve	8,099
8,632	Usable Capital Receipts Reserve	8,509
434	External Capital Grants / Contributions Unapplied	872
<b>67,469</b>	<b>TOTAL USABLE RESERVES</b>	<b>70,588</b>

**33. Grant Income**

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19	2017/18
	£'000	£'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	(2,482)	(1,938)
Small Business Rate Relief	(2,044)	(1,697)
Revenue Support Grant	(307)	(794)
Self & Custom Build New Burdens Grant	(30)	(30)
High Street Community Clean up Grant	(25)	-
Parks & Open Spaces Improvement Grant	(22)	-
Brexit Preparation Grant	(17)	-
Brownfields Register & PIP LA	(4)	(5)
Discretionary Funding for Business Rates Relief	-	(137)
Transition Grant	-	(48)
New Homes Bonus Returned Funding	-	(8)
Council Tax Annex Discount Grant	-	(2)
<b>Non Ringfenced Revenue Grants</b>	<b>(4,931)</b>	<b>(4,659)</b>
Pump Room Gardens Heritage Lottery Grant	(718)	(1,863)
Community Infrastructure Levy	(438)	-
S106 Contributions	(536)	(161)
Heritage Assets Donations	(34)	(3)
Friends of Pump Room Gardens Contribution	(50)	-
Czech Memorial Fountain Friends Contribution	(13)	-
Arts Grants	(6)	-
<b>Capital Grants and Contributions:</b>	<b>(1,795)</b>	<b>(2,027)</b>
<b>Total Grants Credited to Taxation &amp; Non Specific Grant Income</b>	<b>(6,726)</b>	<b>(6,686)</b>
<b>Credited to Services</b>		
DWP grants for Housing Benefits	(27,716)	(28,228)
Disabled Facilities Grant	(915)	(750)
Housing Benefit Administration Grant	(518)	(532)
Rough Sleeping Initiative	(316)	-
Homelessness Prevention	(300)	(305)
Contribution towards NNDR Collection	(213)	(222)
Decentralisation & Neighbourhood Planning	(100)	-
District Heating Network Feasibility	(35)	-
Housing Advisors Program Expansion	(14)	-
Parliamentary Elections	(7)	(350)
LGA Improvement & Development Grant	(7)	-
Private Sector Housing - Letting & Landlords Grants	(1)	-
Local Land Charges	-	(32)
Electric Cars	-	(29)
<b>Credited to Services</b>	<b>(30,142)</b>	<b>(30,448)</b>
<b>TOTAL GRANTS</b>	<b>(36,868)</b>	<b>(37,134)</b>

## NOTES TO THE ACCOUNTS

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

	2018/19	2017/18
	£'000	£'000
S106 Contributions towards social housing, sports facilities & play equipment	4,903	4,254
<b>Capital Grants, Contributions Held in Advance</b>	<b>4,903</b>	<b>4,254</b>

### 34. Related Party Transactions

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

#### Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides some 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 2019 are included within the figures shown in the Grant Income note.

#### 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 Defined Benefit Pension Schemes note.

#### Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2018/19 the precepts issued totalled £1,522,679 (2017/18 £1,412,612). The major preceptors were:

Major Preceptors	2018/19 £'000	2017/18 £'000
Warwick Town Council	394	363
Royal Leamington Spa Town Council	362	332
Kenilworth Town Council	180	179
Whitnash Town Council	197	172

#### 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 £390,541 (2017/18 £461,042) were paid to voluntary organisations in which 25 members had declared interest or held positions on the governing body. The grants were made with proper

consideration of declarations of interest. The relevant members were excluded from any discussion or decision relating to the grants. The major grants awarded were:

<b>Major Grants Awarded</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Whitnash Town Council	153	-
Citizens' Advice Bureau	100	100
Kenilworth School Relocation	100	-
Norton Lindsey Village Hall	85	-
Brunswick Healthy Living Centre	81	94
Shakespeare's England	75	75
Warwickshire Community and Voluntary Action (CAVA)	56	55
Warwick Town Council	41	-
Coventry & Warwickshire LEP	36	20
The GAP	34	-
Kenilworth Lawn Tennis and Squash Club	33	-
The Chain	29	28
Sydenham Neighbourhood Initiatives	29	22
Community Forum Grants	23	-
Hill Close Gardens Trust	20	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 - £368,000 in 2018/19 (£328,000 in 2017/18).

#### Entities Controlled or Significantly Influenced by the Authority:

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

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

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

#### Losses Made by the Joint Venture:

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

## NOTES TO THE ACCOUNTS

Under IAS28, the Council will resume recognising its share of any future profits reported by the Joint Venture only after its share of the profits equals the share of the losses not recognised. PSP Warwick LLP reported losses in 2013/14 and each subsequent financial year. These losses total £756,513 as at 31 March 2019.

### Critical Judgements in Assessing the Collaborative Activity:

The Council's collaborative activity is PSP Warwick LLP with PSP Facilitating Limited constitutes an arrangement under which there is joint control owing to the need for unanimous consent for reserved matters on the PSP Warwick LLP Operations Board. As the Council has a right to a share of the net assets, the collaborative arrangement is deemed to be a joint venture under accounting standards however the transactions in 2018/19 were not considered material so group accounts have not been prepared.

The PSP Warwick LLP Report and Financial Statements for the year ended 30 April 2018 can be obtained from the registered office: Synergy House, 114 - 118 Southampton Row, London, England, WC1B 5AA.

The Registered Company Number for PSP Warwick LLP is: OC383779.

### **35. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it.

	2018/19	2017/18
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>144,866</b>	<b>137,403</b>
<b>Capital Investment:</b>		
Property, Plant and Equipment	20,216	15,142
Revenue Expenditure Funded from Capital Under Statute - Grants	663	265
Revenue Expenditure Funded from Capital Under Statute - Long-term loans	5,585	-
Finance Leases Principal	47	15
<b>Sources of Finance:</b>		
Capital Receipts	(1,812)	(745)
Government grants and other contributions	(1,322)	(2,718)
Major Repairs Reserve	(7,760)	(4,051)
Sums set aside from revenue	(4,296)	(402)
Minimum Revenue Provision	(106)	(43)
<b>Closing Capital Financing Requirement</b>	<b>156,081</b>	<b>144,866</b>
<b>Explanation of movements in year</b>		
Increase underlying need to borrow (unsupported by Government financial assistance)	11,215	7,463
<b>Increase in Capital Financing Requirement</b>	<b>11,215</b>	<b>7,463</b>

**36. Leases**

**Authority as Lessor**

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

Operating Leases

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

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

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	317	299
Later than one year and not later than five years	1,269	1,195
	<b>1,586</b>	<b>1,494</b>

**37. Impairment/Revaluation Losses**

During 2018/19 play equipment to the value of £7.2k was identified as no longer in existence and written off to revenue alongside £5k of work in progress on capital schemes which are not likely to proceed having been superseded by new proposals. The £7.2k was subsequently reversed out to the Capital Adjustment Account but the £5k remained as a revenue cost in accordance with capital finance regulations.

Both St Nicholas Park and Newbold Comyn Leisure Centres were revalued during 2018/19 following their refurbishments and suffered revaluation losses of £0.309m and £5.006m respectively. Of these losses £1.677m was charged to the General Fund Revaluation Reserve with the balance of £3.638m being charged to the Surplus/Deficit on the provision of services and subsequently reversed out to the Capital Adjustment Account.

The old Co-op Nursery in Spencer's Yard having been purchased for £0.308m in 2017/18 was valued for the first time in 2018/19 and suffered a revaluation loss of £0.196m. In addition, two properties purchased in 2018/19, the old Stoneleigh Arms Public House (purchased for £0.701m) and land at Europa Way (purchased for £3.583m) were revalued during the year and suffered revaluation losses of £0.581m and £0.110m respectively. In all three cases the losses were charged to the Surplus/Deficit on the provision of services and subsequently reversed out to the Capital Adjustment Account.

Enquiries made of Service Areas, the Asset Management Team and dialogue with our external valuers, Carter Jonas, did not reveal any new properties which were physically impaired and which therefore required revaluation during 2018/19 in order to reflect their reduced capacity to operate at previous levels. However, the Council is aware of a significant issue with the Royal Pump Rooms roof which will require a substantial sum of money (£1m+) spending on it in the relatively near future but this has not affected its ability to operate and the valuation in the balance sheet of this property reflects this issue. Following the postponement of its demolition, a condition survey has been carried out on Covent Garden Multi Storey Car Park the results of which are expected in mid-June. At present it is too early to say whether the results of the survey may require the car park to be impaired further having already incurred a significant drop in its value in 2017/18 as a result of its condition.

## NOTES TO THE ACCOUNTS

### 38. 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 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

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

Comprehensive Income and Expenditure Statement	2018/19 £'000	2017/18 £'000
<i>Cost of Services:</i>		
- current service cost	4,435	4,346
Financing and Investment Income and Expenditure:		
- net interest expense	1,053	1,012
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,488</b>	<b>5,358</b>
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)	(5,553)	(68)
- Actuarial gains and losses arising on changes in demographic assumptions	-	-
- Actuarial gains and losses arising on changes in financial assumptions	13,075	(2,858)
- Other	(22)	8
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,988</b>	<b>2,440</b>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,488)	(5,358)
<b>Actual amount charged against the General Fund and HRA Balances for pensions in the year:</b>		
<b>Employer's contributions payable to scheme</b>	<b>2,645</b>	<b>2,255</b>



**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:

	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	180,640	162,506
Fair value of plan assets	(132,174)	(124,383)
<b>Net liability arising from defined benefit obligation</b>	<b>48,466</b>	<b>38,123</b>

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

	2018/19 £'000	2017/18 £'000
<b>Opening fair value of scheme assets</b>	<b>124,383</b>	<b>122,750</b>
Interest income	3,341	3,169
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	5,553	68
The effect of changes in foreign exchange rates		
Contributions from employer	2,645	2,255
Contributions from employees into the scheme	749	706
Benefits paid	(4,497)	(4,565)
<b>Closing fair value of scheme assets</b>	<b>132,174</b>	<b>124,383</b>

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

	2018/19 £'000	2017/18 £'000
<b>Opening balance at 1 April</b>	<b>162,506</b>	<b>160,688</b>
Current service cost	4,435	4,346
Interest cost	4,394	4,181
Contributions from scheme participants	749	706
Remeasurement (gains) / losses:		
- Actuarial gains / losses arising from changes in financial assumptions	13,075	(2,858)
- Other experience	(22)	8
Benefits paid	(4,497)	(4,565)
<b>Closing balance at 31 March</b>	<b>180,640</b>	<b>162,506</b>

## NOTES TO THE ACCOUNTS

### Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2019			Period Ended 31 March 2018		
	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	1,868	-	1,868	1,597	-	1,597
Equity Securities (by industry type):						
- Consumer	6,361	-	6,361	13,957	-	13,957
- Manufacturing	2,626	-	2,626	4,952	-	4,952
- Energy and Utilities	158	-	158	2,064	-	2,064
- Financial Institutions	2,892	-	2,892	6,677	-	6,677
- Health and Care	3,136	-	3,136	3,722	-	3,722
- Information Technology	3,260	-	3,260	3,456	-	3,456
- Other	4,115	-	4,115	5,232	-	5,232
<b>Sub-total equity</b>	<b>22,547</b>	<b>-</b>	<b>22,547</b>	<b>40,060</b>	<b>-</b>	<b>40,060</b>
Debt Securities						
- Other	-	3,765	3,765	-	-	-
<b>Sub-total debt securities</b>	<b>-</b>	<b>3,765</b>	<b>3,765</b>	<b>-</b>	<b>-</b>	<b>-</b>
Property:						
- UK Property	14,428	-	14,428	12,679	-	12,679
- Overseas Property	22	-	22	33	-	33
<b>Sub-total property</b>	<b>14,450</b>	<b>-</b>	<b>14,450</b>	<b>12,712</b>	<b>-</b>	<b>12,712</b>
Private Equity:						
- All	-	6,728	6,728	-	4,530	4,530
Investment Funds and Unit Trusts:						
- Equities	49,796	-	49,796	31,969	-	31,969
- Bonds	21,761	-	21,761	19,079	-	19,079
- Hedge Funds	-	-	-	5,230	-	5,230
- Infrastructure	-	3,052	3,052	-	1,806	1,806
- Other	8,208	-	8,208	7,400	-	7,400
<b>Sub-total Investments</b>	<b>79,765</b>	<b>3,052</b>	<b>82,817</b>	<b>63,678</b>	<b>1,806</b>	<b>65,484</b>
<b>TOTAL ASSETS</b>	<b>118,630</b>	<b>13,544</b>	<b>132,174</b>	<b>118,047</b>	<b>6,336</b>	<b>124,383</b>

### 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.

The significant assumptions used by the actuary have been:

	2018/19	2017/18
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	2.4%	2.7%
Bonds	2.4%	2.7%
Property	2.4%	2.7%
Cash	2.4%	2.7%
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for Current Pensioners:</b>		
Men	22.5 years	22.5 years
Women	24.7 years	24.7 years
<b>Longevity at 65 for Future Pensioners</b>		
Men	24.3 years	24.3 years
Women	26.7 years	26.7 years
Rate of inflation	3.5%	3.4%
Rate of increase in salaries	3.1%	3.0%
Rate of increase in pensions	2.5%	2.4%
Rate of discounting scheme liabilities	2.4%	2.7%

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

	Increase in Assumption £'000	Decrease in Assumption £'000
Rate of increase in salaries (increase or decrease by 0.5%)	2,563	(2,563)
Rate of increase in pensions (increase or decrease by 0.5%)	15,149	(15,149)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	18,019	(18,019)

### 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 17 years. Funding levels are monitored on an annual basis. The next triennial valuation will be based as at 31 March 2019.

The Council anticipates paying £2,440,000 expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.6 years, 2018/19 (17.6 years 2017/18).

### 39. Nature and Extent of Risks Arising from Financial Instruments

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

## NOTES TO THE ACCOUNTS

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, together with written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

### 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, except for Corporate Equity Funds which are rated as low or medium risk. 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 UK was due to leave the EU on 29 March but due to the inability of the Government and Parliament to agree on the terms of the withdrawal agreement this has a potential impact on the credit risk within the portfolio. The money markets believe that this is particularly so if the UK is seen to finally accept a poor deal or were to leave without a deal. In either case there is a danger that this would worsen the UK's economic prospects and lead to a further downgrade in its sovereign rating. This potential impact is being actively monitored and the ongoing consequences will be factored into future Annual Investment Strategies, with subsequent approval from the Council.

The credit criteria at 31 March 2019 in respect of investments held by the Council are:

Investment / Counterparty type:	S/term		Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Proportion of Portfolio at 31 March 2019 £'000
	L/term	(FITCH or equivalent)				
<b>Specified instrument: (repayable within 12 months)</b>	(FITCH or equivalent)					
UK Govt. / Local Authorities / Public Corporations / Nationalised Industries	n/a		n/a	£9m	365 days	10,000
Bank - Private UK (includes Fixed Term Deposits, CD's and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£4m	365 days	8,000
	F1	A+	UK Sovereign	£6m	365 days	9,500
	F1	AA- & above	UK Sovereign	£7m	365 days	6,295
Corporates (Category 3 FRN'S, Bonds)	F1	A	UK Sovereign	£4m	365 days	2,000
	F1	A+	UK Sovereign	£5m	365 days	-
	F1	AA- & above	UK Sovereign	£6m	365 days	1,000
Money Market Fund (LVNAV)	AAAm / Aaa-mf/AAAmmf			£9m	liquid	13,345
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAAV1			£6m	liquid	12,000
<b>Non-specified instruments</b>						
Corporate Equity Funds	N/A		Low Risk	£4m	10 years	6,000
					<b>Total</b>	<b>68,140</b>

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 2019, sundry debts outstanding stood at £2.010m of which £0.365m related to general debts and £1.645m to Housing Benefit and Council Tax Support overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.03m

## NOTES TO THE ACCOUNTS

and £0.77m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.0m less £0.8m Credit Loss Allowances follows:

Warwick District Council has a substantial number of trade receivables. As the assets do not have a significant financing component, the loss allowance is to be based on lifetime expected credit losses.

The Council uses a provision matrix, based on historical observed rates over the lifecycle of trade receivables, adjusted for forward-looking estimates:

More than 1 year	100.00%
Current year	4.75%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount	Loss rate	Lifetime expected credit losses
	A £	B	A x B £
Over 1 year	10,500	100.00%	10,500
Current year	354,500	4.75%	16,800
		<b>Loss allowance</b>	<b>27,300</b>

Warwick District Council has a substantial number of Benefits debtors. As the assets do not have a significant financing component, the loss allowance is to be based on lifetime expected credit losses.

The Council uses a provision matrix, based on historical observed rates over the lifecycle of this type of debtor, adjusted for forward-looking estimates:

01 - 03 months	23.60%
04 - 06 months	35.00%
07 - 09 months	40.00%
10 - 12 months	45.00%
Over 1 year	55.00%

The loss allowance is calculated as follows:

Lifecycle stage	Gross carrying amount	Loss rate	Lifetime expected credit losses
	A £	B	A x B £
01 - 03 months	230,300	23.60%	54,400
04 - 06 months	179,100	35.00%	62,700
07 - 09 months	108,000	40.00%	43,200
10 - 12 months	75,600	45.00%	34,000
Over 1 year	1,052,400	55.00%	578,800
		<b>Loss allowance</b>	<b>773,100</b>

## NOTES TO THE ACCOUNTS

### Amounts Arising from Expected Credit Losses

The changes in the loss allowance for investments and long term debtors during the year are as follows:

The Council has analysed the credit risk of the investments held at 31 March 2019 using the methodology recommended by its treasury advisers in order to comply with IFRS 9.

The calculated potential impairment of £19.4k equates to 0.03% of total investments of £69.005m. This has been assessed as being immaterial and no impairment of the investments has been made.

During 2018/19, the Council made long term loans for capital expenditure amounting to £5.527m to various organisations. Due diligence was carried out to ensure that the borrowers capacity to repay the loans plus interest in a timely manner was adequate. Repayments of the loans are being made according to the various repayment plans and consequently there is little or no expectation of any form of credit default and therefore no expected credit loss has been included in the accounts.

At 31 March 2019, outstanding arrears in respect of Council house rents and charges stood at £1.617m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.225m 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

This risk relates to market perceptions of the creditworthiness of particular counterparties or investment vehicles over and above those reflected in current credit ratings. The Council is not aware of any such perceptions which affect either counterparties that it has on its approved lending list or investment vehicles it is permitted to use.

### 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 2018/19 out-turn a 0.25% movement upwards in interest

rates would have produced an additional £0.203m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

### **Price Risk**

The Council invests in Certificates of Deposits and Corporate Bonds which are instruments where the price fluctuates, the Council manages this risk by only purchasing such investments with a relatively short term to run and by holding the investments to maturity thus nullifying the effect of price fluctuations as the investments are redeemed at par i.e. face value.

With regard to its Corporate Equity Fund investments, year-end fluctuations in the value of these funds will be managed through the use of the Financial Instruments Revaluation Reserve thus ensuring no impact on the General Fund. The Council has also established an investment volatility reserve and 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.

## **40. Contingent Assets and Liabilities**

### Contingent Liabilities

As at 31 March 2019 the Council identified the following contingent Liability in relation to:

#### Pension Scheme Court Ruling

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial and fire fighters' schemes as part of the reforms amounted to unlawful discrimination.

A ruling has now been made which is likely to have implications for the Local Government Pension Scheme (LGPS), Police and Fire pension schemes.

Warwick District Council is a member of the Warwickshire LGPS and in line with this The Warwickshire Pension Fund Actuaries have prepared the following statement to clarify the potential impact to the Council in relation to this ruling:

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied.

The impact of the ruling is uncertain. It is looking likely that benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. However, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just

## NOTES TO THE ACCOUNTS

those currently subject to these protections. In this outcome, there would likely be a retrospective increase to members' benefits, which in turn would give rise to a past service cost for the Fund employers when the outcome is known.

Quantifying the impact at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Warwickshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Warwick District Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.44% higher as at 31 March 2019, an increase of approximately £780k.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

**Furthermore, The Warwickshire Pension Fund Actuaries have prepared the following statement in relation to the potential impact of Guaranteed minimum pension (GMP) equalisation:**

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the State Second Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Warwick District Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimate as it applies to Warwick District Council is that total liabilities could be 0.17% higher as at 31 March 2019, an increase of approximately £309k.

These numbers are approximate estimates based on employer data as at 31 March 2016 and will be revised at the upcoming valuation.



### Contingent Assets

As at 31 March 2019 the Council identified the following material contingent assets in relation to:

#### Leisure Centre Refurbishment - Utility Company Legal Challenge

Delayed works relating the 2017/18 Leisure Centre Refurbishment Project of Newbold Comyn and St Nicholas Park Leisure Centre's have resulted in legal proceedings being brought by the Council to a number of Utility Companies in an attempt to seek recompense for delayed works which resulted in financial penalties for the Council. The Penalties were paid by the Council to the Contractor completing the refurbishment works as per the contractual agreement in relation to delayed works.

Disclosure of an estimate of value for this legal challenge in the accounts may affect the negotiations and would be prejudicial to the Council and its contractor's commercial interests. It might also lead to an expectation which would prejudice the outcome of the Legal proceedings. For these reasons, no estimate of value has been disclosed.

#### Business Rate Pooling – Local Volatility Fund

Following the Local Government Finance Bill, with effect from 1 April 2013, the Council agreed to participate in the Warwickshire and Coventry Business Rates Pool consisting of the following Authorities:

- Coventry City Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-On-Avon District Council
- Warwick District Council
- Warwickshire County Council

Under the new legislation, 50% of business rates collected by the billing authority is retained locally, the other 50% is paid to the Government. The Locally retained business rates are then split 80% to the pool and 20% to Warwickshire County Council.

Part of the Memorandum of Understanding for the Warwickshire and Coventry Business Rates Pool allocates 25% of the benefit of being in the pool to be set aside in a Local Volatility Fund. This is to provide protection for Pool members from falls in business rate income. The Local Volatility Fund is held by Warwickshire County Council as the lead authority and a memo account is maintained for each authority.

As at the end of March 2019, Warwick District Council held £660k within the Fund. This would be released to us if our business rates income fell by more than 5% of our baseline funding level or if we left the pool or the pool dissolved.

## HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) reflects the obligation to maintain a separate revenue account for the Council's housing provision. The HRA Income and Expenditure Statement shows the cost in the year of providing these housing services.

2017/18		2018/19	
£'000		£'000	£'000
	<b>EXPENDITURE</b>		
4,770	Repairs and Maintenance	5,884	
6,188	Supervision and Management	6,185	
266	Rents, Rates, Taxes and Other Charges	301	
204	Increased Provision for Bad Debts	205	
6,358	Depreciation and Impairment of Non-Current Assets	7,993	
<b>17,786</b>	<b>TOTAL EXPENDITURE</b>		<b>20,568</b>
	<b>INCOME</b>		
(25,501)	Dwelling Rents	(25,049)	
(885)	Non-Dwelling Rents	(947)	
(1,021)	Charges for Services and Facilities	(971)	
(414)	Contributions Towards Expenditure	(636)	
<b>(27,821)</b>	<b>TOTAL INCOME</b>		<b>(27,603)</b>
<b>(10,035)</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(7,035)</b>
74	HRA services' share of Corporate and Democratic Core		74
19	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		20
<b>(9,942)</b>	<b>Net Income for HRA Services</b>		<b>(6,941)</b>
(1,152)	Gain or Loss on sale of HRA non-current assets		(659)
4,713	Interest payable and similar charges		4,765
136	Net interest on the net defined benefit asset or liability		144
(171)	HRA Interest and Investment Income		(335)
-	Capital Grants and Contributions Receivable		(232)
<b>(6,416)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>		<b>(3,258)</b>

## 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 HRA Balance before any discretionary transfers to or from reserves undertaken by the Council.

2017/18		Notes	2018/19	
£'000			£'000	£'000
1,400	Balance on the HRA at the end of the previous year			1,425
6,416	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	HRA I&E	3,258	
(460)	Adjustments between accounting basis and funding basis under statute	Main Notes 9	(1,527)	
<b>5,956</b>	<b>Net increase or (decrease) before transfers to or from reserves</b>		<b>1,731</b>	
(5,931)	Transfers (to) or from reserves	Main Note 10	(1,702)	
<b>25</b>	<b>Increase or (decrease) in year on the HRA</b>			<b>29</b>
<b>1,425</b>	<b>Balance on the HRA at the end of the current year</b>			<b>1,454</b>

## 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:

	<b>31 March</b>	<b>31 March</b>
	<b>2019</b>	<b>2018</b>
	<b>Nos.</b>	<b>Nos.</b>
Houses	2,384	2,396
Flats	2,424	2,417
Bungalows	670	670
	<b>5,478</b>	<b>5,483</b>

The change in housing stock can be summarised as follows:

	<b>2018/19</b>	<b>2017/18</b>
	<b>Nos.</b>	<b>Nos.</b>
Housing Stock at 1 April	5,483	5,518
New build	-	-
Purchases	19	-
Reclassification from non-operational to operational stock	-	-
Conversions	1	-
Right to Buy Sales	(25)	(35)
<b>Housing Stock at 31 March</b>	<b>5,478</b>	<b>5,483</b>

### 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:

	<b>1 April 2019</b>	<b>1 April 2018</b>
	<b>£'000</b>	<b>£'000</b>
Council Dwellings	387,206	370,649
Other Properties	7,688	6,640
Land	291	275
Equipment	552	441
Assets Under Construction	306	-
Surplus Assets	-	-
Assets Held for Sale	84	121
<b>Total Balance Sheet Items</b>	<b>396,128</b>	<b>378,126</b>

### 3. Valuation of Dwellings

The 'vacant possession' value of dwellings represents the open market value of the housing stock, whilst the Balance Sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction to 40% of the market valuation) is the 'Economic Cost' of providing Council housing at less than open market rents.

## NOTES TO THE HOUSING REVENUE ACCOUNT

	31 March	1 April
	2019	2018
	£'000	£'000
Vacant Possession Value of Dwellings (Open Market Value)	962,429	921,168
Balance Sheet Value of Dwellings (Social Housing Value) (40% of Open Market Value)	(387,208)	(370,566)
<b>Economic Cost to Government</b>	<b>575,221</b>	<b>550,602</b>

#### 4. Summary of Capital Expenditure Funding Sources

	2018/19	2017/18
	£'000	£'000
Usable Capital Receipts	610	-
Revenue and Other Contributions	2,716	(335)
Major Repairs Reserve	7,761	4,052
<b>TOTAL CAPITAL EXPENDITURE FUNDING</b>	<b>11,087</b>	<b>3,717</b>

#### 5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken for the 1 April 2019 valuation by the Council's Valuer, Carter Jonas LLP. Revaluation gains of £16.027m were credited to the Housing Revenue Account Revaluation Reserve. Revaluation impairments of £224K were debited to the HRA.

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 Ministry of Housing Communities & Local Government (MHCLG). Currently, this is 40% of the Open Market Value.

#### 6. Summary of Capital Receipts

	2018/19	2017/18
	£'000	£'000
Sale of Council Houses	2,554	3,681
Other Non RTB Sales	-	-
Sale of Land	-	-
<b>TOTAL CAPITAL RECEIPTS</b>	<b>2,554</b>	<b>3,681</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 7. Depreciation of Fixed Assets

	2018/19	2017/18
	£'000	£'000
Council Dwellings	6,046	6,037
Other Buildings	522	447
Land	-	-
Equipment	48	27
Reversal of previous revaluation losses charged to HRA		(153)
<b>TOTAL DEPRECIATION</b>	<b>6,616</b>	<b>6,358</b>

### 8. Arrears and Provision for Loss Allowances

	2018/19	2017/18
	£'000	£'000
<b>HRA Rent &amp; Charges Arrears</b>		
Current Tenant Rent Arrears	789	610
Former Tenant Rent Arrears	365	276
<b>Dwelling Rent Arrears</b>	<b>1,154</b>	<b>886</b>
Garage Rent Arrears	18	7
Supporting People Charge Arrears	28	31
Court Cost Arrears	153	154
Overpayment of Benefit Arrears	142	174
Other Arrears	123	108
<b>Total Arrears</b>	<b>1,618</b>	<b>1,360</b>
<b>Prepayments</b>		
Dwelling Rent Prepayments	(409)	(370)
Garage Rent Prepayments	(13)	(13)
Other Prepayments	(7)	(7)
<b>Total Prepayments</b>	<b>(429)</b>	<b>(390)</b>
<b>Net Arrears</b>	<b>1,189</b>	<b>970</b>
<b>HRA Bad Debt Provisions</b>		
Rent Bad Debt Provision	(1,035)	(861)
Court Cost Bad Debt Provision	(190)	(189)
<b>Total Bad Debt Provisions</b>	<b>(1,225)</b>	<b>(1,050)</b>

#### Arrears as a proportion of gross rent net of housing benefit

Current Tenant Rent Arrears	5.72%	4.76%
Net Arrears	7.41%	6.42%

## 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.

2017/18				2018/19		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
<b>INCOME</b>						
(89,017)	-	(89,017)	Council Tax Receivable	(95,062)	-	(95,062)
-	(68,893)	(68,893)	Business Rates Receivable	-	(71,516)	(71,516)
<b>(89,017)</b>	<b>(68,893)</b>	<b>(157,910)</b>	<b>TOTAL INCOME</b>	<b>(95,062)</b>	<b>(71,516)</b>	<b>(166,578)</b>
<b>EXPENDITURE</b>						
<b>Precepts and Demands:</b>						
-	30,619	30,619	Central Government	-	35,733	35,733
68,464	6,124	74,588	Warwickshire County Council	72,805	7,146	79,951
10,119	-	10,119	The Office of the Warwickshire Police and Crime Commissioner	10,890	-	10,890
9,681	24,495	34,176	Warwick District Council	10,164	26,839	37,003
<b>88,264</b>	<b>61,238</b>	<b>149,502</b>		<b>93,859</b>	<b>69,718</b>	<b>163,577</b>
<b>Distribution of earlier years' Collection Fund Surplus:</b>						
(141)	277	136	Warwickshire County Council	-	193	193
-	1,385	1,385	Central Government	-	964	964
(22)	-	(22)	The Office of the Warwickshire Police and Crime Commissioner	-	-	-
(20)	1,108	1,088	Warwick District Council	-	2,519	2,519
<b>(183)</b>	<b>2,770</b>	<b>2,587</b>		<b>-</b>	<b>3,676</b>	<b>3,676</b>
<b>Charges to the Collection Fund:</b>						
229	275	504	Write-offs of uncollectable amounts	299	370	669
-	210	210	Warwick District Council: Cost of Collection Allowance	-	213	213
-	-	-	Increase / (Decrease) in Bad Debts Provision	20	-	20
-	(91)	(91)	Increase / (Decrease) in Provision for Appeals	-	1,492	1,492
-	1,248	1,248	Transitional Protection Payments payable	-	362	362
-	32	32	Renewable Energy Disregard	-	23	23
<b>229</b>	<b>1,674</b>	<b>1,903</b>		<b>319</b>	<b>2,460</b>	<b>2,779</b>
<b>Movement On Fund:</b>						
(707)	(3,211)	(3,918)	Net (Surplus) / Deficit for Year	(884)	4,338	3,454
120	(3,056)	(2,936)	(Surplus) / Deficit brought forward 1 April	(587)	(6,267)	(6,854)
<b>(587)</b>	<b>(6,267)</b>	<b>(6,854)</b>	<b>(Surplus) / Deficit carried forward 31 March</b>	<b>(1,471)</b>	<b>(1,929)</b>	<b>(3,400)</b>

## COLLECTION FUND

### 1. General

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

### 2. Council Tax

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. These numbers are adjusted for various items. The number of properties for each band is then converted into a Band D equivalent by applying a designated ratio to arrive at the Council Tax Base. Individual charges are determined by dividing the demands and precepts of the Council, Warwickshire County Council and The Office of the Warwickshire Police and Crime Commissioner by the Council Tax base. The Council Tax base for 2018/19 was calculated as follows:

Band	Dwellings in Banding List	Disabled Persons Adjustments No of Cases	Less Exemptions Properties Affected	Less Discounts	Adjusted Amount for Council Tax	Ratio	Band D Equivalent Dwellings	
@	-	12	-	(2.20)	9.80	5 / 9	5.44	
A	4,761	17	264	(1,235.40)	3,806.60	6 / 9	2,537.73	
B	11,773	48	660	(2,691.50)	9,789.50	7 / 9	7,614.06	
C	17,078	6	575	(2,609.70)	15,049.30	8 / 9	13,377.16	
D	12,590	(29)	386	(1,646.20)	11,300.80	9 / 9	11,300.80	
E	7,282	(13)	357	(1,116.20)	6,509.80	11 / 9	7,956.42	
F	4,972	(3)	114	(438.00)	4,645.00	13 / 9	6,709.44	
G	4,039	(22)	44	(234.20)	3,826.80	15 / 9	6,378.00	
H	426	(16)	8	(29.20)	388.80	18 / 9	777.60	
	<b>62,921</b>	<b>-</b>	<b>2,408</b>	<b>(10,002.60)</b>	<b>55,326.40</b>		<b>56,656.65</b>	
	Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief							308.37
	Less Council Tax Support Scheme							(3,576.15)
	<b>COUNCIL TAX BASE 2018/19</b>							<b>53,388.87</b>

### Income from Business Ratepayers

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

The two multipliers set by Government are:

- The Small Business Non-Domestic Rate Multiplier of 48p for businesses with a rateable value of less than £51,000.
- The Non-Domestic Rate Multiplier of 49.3p for other businesses with a rateable value of £51,000 or greater.

The total rateable value of properties in the Warwick District area was £172,348,849 at 31 March 2019



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

### **Accruals**

Cost of goods and services received in the financial 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 (three-yearly) 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 the economic benefit value of capital assets as they become out of date or depreciate.

### **Non-Current 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 6/9ths of Band D and Band H is 18/9ths of Band D). Using the weighted number of the domestic properties in the area produces 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 is 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 (Non-Domestic Rates – NDR)**

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

### **Business Rate Retention Scheme**

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

### **Capital Adjustment Account**

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

## GLOSSARY

### **Capital Programme**

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

### **Capital Receipt**

Income from selling non-current assets. Capital receipts can be used to finance new capital expenditure or repay long term debt within rules set by central Government, but they cannot be used to finance day-to-day revenue spending.

### **Capital Spending**

Spending on non-current 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 that 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.

### **Community Assets**

The class of fixed assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

### **Component Depreciation**

Is a procedure in which the cost of a large item of property, plant and equipment is allocated to different components of the asset and each component is depreciated separately. This procedure is also referred to as componentisation.

### **Contingent Asset**

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

### **Contingent liability**

A possible obligation 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. Since 1 April 2013 councils must have a council tax reduction scheme, which allows for council tax reductions of people, or classes of people, who are considered to be in financial need. In Warwickshire, the district or borough council issues

council tax bills and collects the council tax. The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

### **Council Tax Base**

An assessment by each billing authority of the number of properties, converted to Band D equivalents (the average band), on which a tax can be charged. The calculation allows for new properties, exemptions, discounts, appeals and a provision for non-collection.

### **Credit Rating**

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the entity being able to pay back a loan.

### **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 inventories, debtors and bank balances.

### **Current Liabilities**

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

### **Current Service Cost**

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

### **Current Spending**

The yearly running costs of local authorities, not including specific grants and the cost of acquiring non-current 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 for goods and services that is not paid by the end of the financial year.

### **Depreciation**

The drop in the economic benefit value of tangible non-current assets such as buildings and vehicles, which reflects wear and tear, age and obsolescence.

### **Earmarked Reserves**

Money set aside for a specific purpose.

### **Expected Credit Loss**

The probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of a financial instrument.

### **Fair Value**

The price that could be received for an asset sold or a liability settled in an orderly transaction, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are

## GLOSSARY

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 Instrument**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **General Fund**

The account that records and finances Council revenue expenditure, other than HRA.

### **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.

### **Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Revenue Account (HRA)**

A separate statutory account dealing with the revenue income and expenditure arising from the provision of Council-owned and managed dwellings.

### **Impairment**

A reduction in the carrying value of a non-current asset as a result of a physical change in its condition or a significant decline in its market value.

### **Infrastructure Assets**

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as highways, drains and footpaths.

### **International Financial Reporting Standards (IFRS)**

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

### **Inventories**

Goods bought that have not yet been used. Also known as stock.

### **Investments**

The purchase of financial instruments in order to receive income and/or make capital gain at a future time, however with the overriding concern being security of the initial sum invested.

### **Investment Properties**

Land and/or buildings held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Liabilities**

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

**Loss**

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

**Material Related-Party Transactions**

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

**Materiality**

Information is material if its omission or misstatement, individually or collectively, could influence the decisions that users make on the basis of financial information about a specific reporting entity.

**Minimum Revenue Provision (MRP)**

The prudent minimum amount which the Council must set aside each year to repay loans and other long term liabilities such as finance leases. This has the effect of reducing the Capital Financing Requirement.

**Net Book Value (NBV)**

The balance sheet value of a non-current asset after depreciation and/or impairment.

**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 Lease**

A type of lease, usually of computer equipment, vehicles, office equipment, etc., where the ownership of the goods and any risks and rewards remain with the lessor, therefore it is revenue expenditure and not capital expenditure.

**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 demand levied by a non-billing authority (County Council, Police Authority, parish and town councils) on the Collection Fund managed by a billing authority (this Council) towards their annual spending.

**Property, Plant and Equipment (also known as Non-Current Assets)**

## GLOSSARY

A physical (tangible) asset that is expected to be held for operational purposes for several years, such as land, buildings and vehicles.

### **Provisions**

Amounts set aside to meet specific service liabilities of uncertain timing or amount and to meet spending.

### **Prudential Code**

A statutory code of practice introduced on 1 April 2004 by Part 1 of the Local Government Act 2003, which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

### **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 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 that are carried forward to meet future obligations.

### **Revaluation Reserve**

Store of gains on the revaluation of non-current assets.

### **Revenue Spending**

Spending on the day-to-day running of services including salaries and wages, running expenses of buildings and equipment, contract payments, supplies and capital financing costs. These costs are met from council tax, business rates, Government grants, fees and charges.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

### **Revenue Support Grant**

Traditionally the main Government grant to support local authority services. From 2019/20 onwards this reduces to nil for this Council.

### **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

## Independent auditor's report to the members of Warwick District Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Warwick District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income & Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the Accounts, including a summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Notes to the Housing Revenue Account, the Collection Fund and Notes to the Collection Fund. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts 2018/19 and Annual Governance Statement set out on pages 2 to 118, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

## **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts 2018/19 and Annual Governance Statement, set out on pages 2 to 119, for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## **Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 27, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance. The Head of Finance is responsible for the preparation of the Statement of Accounts 2018/19 and Annual Governance Statement, 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Finance & Audit Scrutiny Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Authority**

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.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of Warwick District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

### **Grant Patterson**

**Grant Patterson, Key Audit Partner**  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Birmingham

31 July 2019

## WARWICK DISTRICT COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2018/19

#### **1 INTRODUCTION**

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

#### **2 THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT**

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

#### **3 THE COUNCIL’S GOVERNANCE FRAMEWORK**

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

## ANNUAL GOVERNANCE STATEMENT

- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE<sup>1</sup> Framework for Delivering Good Governance in Local Government that was issued in 2016.
- 3.7 The Council's corporate strategy is set out in its Fit for the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved. The FFF programme is the key planning instrument for the Council.
- 3.8 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the Council's performance appraisal system. These all include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and reported to the Overview & Scrutiny Committee. Refreshed performance management arrangements will be in place for 2019/20.
- 3.9 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Councillors' Codes of Conduct and protocols for councillor/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee from 1 July 2012. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.10 The Constitution contains procedure rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team.
- 3.11 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.12 A specific statement is required to be reported in the annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.13 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.
- 3.14 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
  - Head of Finance being a member of Leadership Team.

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

- Head of Finance having responsibility for Asset Management.

- 3.15 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior councillors. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. However, in the light of overall capacity issues facing the Council and in the light of the issues arising from the failure to close down the 2017/18 accounts on time a Senior Management Review will take place. This may change the current arrangements.
- 3.16 There is one major issue regarding financial management that merits mention at this juncture. For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. A comprehensive examination of the reasons for this was conducted by the Chief Executive and a series of measures has been taken to ensure that this does not happen again.
- 3.17 With regard to asset management, responsibility for this comes under the Deputy Chief Executive (BH) as that is where the expertise and the operational work lies.
- 3.18 The Executive provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 3.19 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 core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.21 'Task and Finish' Groups, comprising solely councillors, are appointed by the Scrutiny Committees to examine various issues in detail. These Groups report back to their respective Scrutiny Committees with recommendations on improvements which are, when approved, taken forward.
- 3.22 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.
- 3.23 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by councillors annually.
- 3.24 The Council is embedding Risk Management throughout its arrangements with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.

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- 3.25 Council services are delivered by staff with the appropriate skills, training and level of experience. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.
- 3.26 The individual performance appraisal system has operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Corporate Strategy and Fit for the Future change programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.27 In May 2015 a new Council was elected. A councillor induction programme was put in place with training sessions around the internal operation of the council and information about the Council's services. All councillors received Code of Conduct and IT training. The Planning and Licencing Committees held specific induction training for their councillors. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all councillors, when required. Similar preparations as in 2015 are being made ahead of the elections in May 2019.
- 3.28 The Council strives to be open and accessible to the community. All Council committee meetings are open to the public except where confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. (These items are also available in paper form.) All Council meetings held in the Council Chamber, such as the meetings of the Council's Executive, are now recorded. 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 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operates shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.30 During the year, the Council published additional information on the transparency section of the website to meet new guidelines and comply with the 2015 Local Government Transparency Code. The Council strives to publish information that is accessible and understandable to councillors and the public, and continues to seek to make improvements in this. This especially applies to financial information.
- 3.31 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their Annual reports submitted to the April 2019 Council meeting. This included the continued work of a Task & Finish Group to look at the Role of the Chairman of the District Council and the monitoring of the implementation of the recommendations from another Task & Finish Group regarding Houses in Multiple Occupation.
- 3.32 Internal Audit reviews were undertaken during 2018/19 on various aspects of governance, including reviews of the efficacy of the Service Assurance Statements, the fulfilment of ethical obligations in the Council's work and the effectiveness of Performance Management arrangements.

## 4 REVIEW OF EFFECTIVENESS

- 4.1 Warwick District Council is required legally to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, annual service assurance statements completed by heads of services and by the findings and reports issued by the external auditors and other review agencies and inspectorates.
- 4.2 More information on the arrangements that provide this assurance is set out below.
- 4.3 The Council's Monitoring Officer (one of the two Deputy Chief Executives) has responsibility for overseeing the implementation and operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, contemplating any changes that may be necessary to maintain it and ensure its effectiveness. All reports to Executive, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.
- 4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's finances. This includes responsibility for maintaining and reviewing the Code of Financial Practice and Code of Procurement Practice to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. An updated Code of Procurement Practice was agreed by Council in December 2018. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.
- 4.5 Following on from the failure to produce audited Statement of Accounts by 31 July 2018, as referred to in paragraph 3.16, a comprehensive plan of actions and initiatives has been produced and monitored during the year. This has been reported to Executive and Finance and Audit Scrutiny Committee on a monthly basis. Within the actions, additional financial training has been provided for all officers across the Council who contribute to the closure of the accounts.
- 4.6 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance and control environment and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2018/19 has concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.7 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements, reviewed by a panel of senior officers comprising the Monitoring Officer, the Section 151 Officer and the Head of Internal Audit, did not reveal any issues of significant concern.
- 4.8 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case the review was undertaken three years ago, well within the specified period for such reviews. Some minor shortcomings were identified which were promptly addressed. The findings of this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. An essential element of the assessment is to confirm

## ANNUAL GOVERNANCE STATEMENT

that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case.

- 4.9 Grant Thornton was appointed as the Council's External Auditor from 1 September 2012 to 31 March 2018 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2017/18 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that, except for the matters they identified in respect of timely financial reporting, the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources. With the significant actions being taken to ensure the timely production of an Audited Statement of Accounts for 2018/19, it is hoped that an unqualified Value for Money conclusion will be issued for 2018/19.

### 5 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 Last year's Annual Governance Statement included just one Significant Governance Issue – the Council's failure to meet the statutory deadline for publication of its financial statements. The Chief Executive conducted a thorough examination into the conditions that led to this failure and produced an action plan to ensure that it does not happen again. Progress in achieving this action plan was monitored throughout the year by the Council's Senior Management Team and by its Finance and Audit Scrutiny Committee and Executive.

- 5.2 Although all actions planned to be completed during 2018/19 have been fulfilled, a number of actions are either ongoing or have a later completion date. This matter is therefore an ongoing Significant Governance Issue.

### 6 CERTIFICATION

- 6.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2019 and up to the date of approval of the annual statement of accounts.

**Signed:**

\_\_\_\_\_  
Cllr Andrew Day  
Leader of the Council

\_\_\_\_\_  
Chris Elliot  
Chief Executive

**Dated:**

\_\_\_\_\_  
30 July 2019

\_\_\_\_\_  
30 July 2019