



Statement of Accounts 2019/20

and **Annual Governance Statement**



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Please note that the Statement of Accounts presented in this document are un-audited and may be subject to change.

Mike Snow, C.P.F.A.

Head of Finance

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 2019/20:
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Be assured that the financial position of the Council is sound and secure.

Further refinements to the content and production of the previous years' financial statements have been made, taking note of the Audit recommendations from 2018/19 to ensure that they continue to be understandable and comply effectively with CIPFA standards.

Legislation typically requires that an authority's draft accounts be 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. However, in light of the ongoing Coronavirus Pandemic and the challenges this has caused

for all parties involved in their production, the deadlines have been extended to 31 August and 30 November respectively, with a public inspection period commencing no later than September. Warwick District Council has agreed with its auditors, Grant Thornton, to commence the public inspection period from 15 June.

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 2020.

The Coronavirus pandemic impacted at the very end of the financial year following the Government's national lockdown, which commenced from 23 March. This has meant that many of the businesses and attractions within the District have been forced to close, impacting on the Council's income streams, and resulting in additional cost pressures as resources have been focussed on delivering key services throughout this period. This has not had a significant impact on the financial outturn for 2019/20, owing to the fact that behaviours were only notably affected for the last two weeks of March.

However, the true scale of its impact will be felt during 2020/21, with the Council expecting significant losses across many of its largest income streams. It is not possible to quantify the impact of COVID-19 at this stage and, while emergency Government funding has been received to mitigate some of the impact, the Council will face significant financial pressures in the immediate future. The Council will continue to revise its Medium Term Financial Strategy (MTFS) to reflect the impact of the pandemic and any changing strategic objectives. Updates will be reported to Executive and to Council on a regular basis.

Key facts about the District

Warwick District Council is one of five district / borough councils within the shire county of Warwickshire. It lies in the south of Warwickshire and covers approximately 28,288 hectares, and is home to around 58,700 households (137,700 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 excellent road and rail 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 also excellent rail services to the rest of the West Midlands and London.

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.

With a rich cultural heritage, the district is home to the popular tourist attractions of Warwick Castle and Kenilworth Castle, as well as several museums in Warwick. The Royal Pump Rooms in Royal Leamington Spa offer a rich cultural visitor experience, whilst the Royal Spa Centre runs an exciting programme of events in its 667 seat main house and 188 seat studio cinema. The district has been successful in achieving five prestigious Green Flag community awards in recognition of its outstanding green spaces. Royal Leamington Spa has also achieved a Purple Flag, acknowledging the excellent night-time management of the town centre.

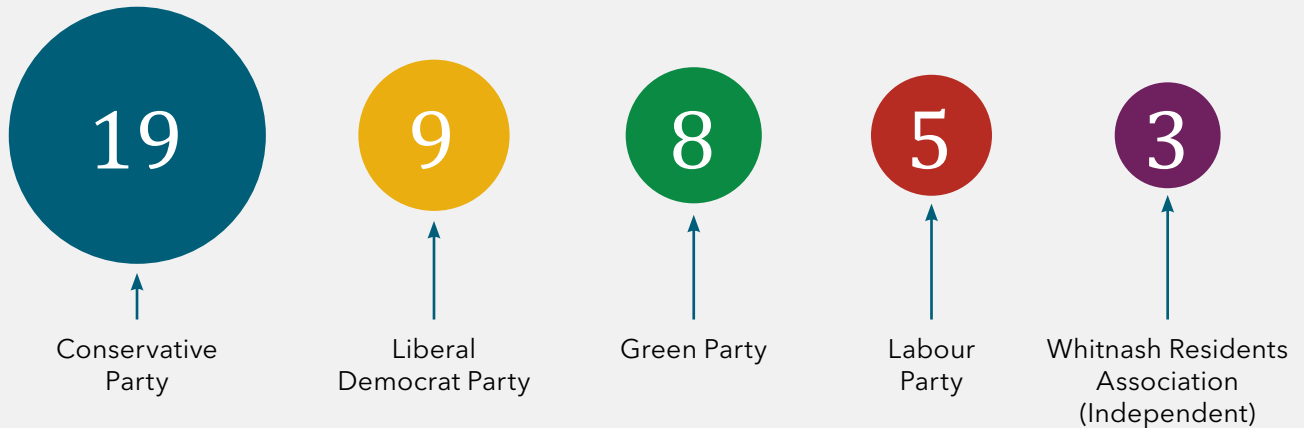
Both Kenilworth and Royal Leamington Spa were recently ranked in the top five places to live in the Midlands as part of The Sunday Times' 2019 Best Places to Live in Britain list. The University of Warwick is partly in the District and we house thousands of students. The Sunday Times also ranked the District as one of the top 20 places in country to live as a student.



Political Structure

As at 31 March 2020, Warwick District had 22 wards and the Council consisted of 44 Councillors. The political make up of the Council is shown below.

2019/20 FOLLOWING 12 DECEMBER 2019 ELECTION



There is no overall control of the council.

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 2019/20, including the setting of a balanced budget for 2019/20, has been undertaken by either the Finance and Audit Scrutiny Committee or Overview and Scrutiny Committee.

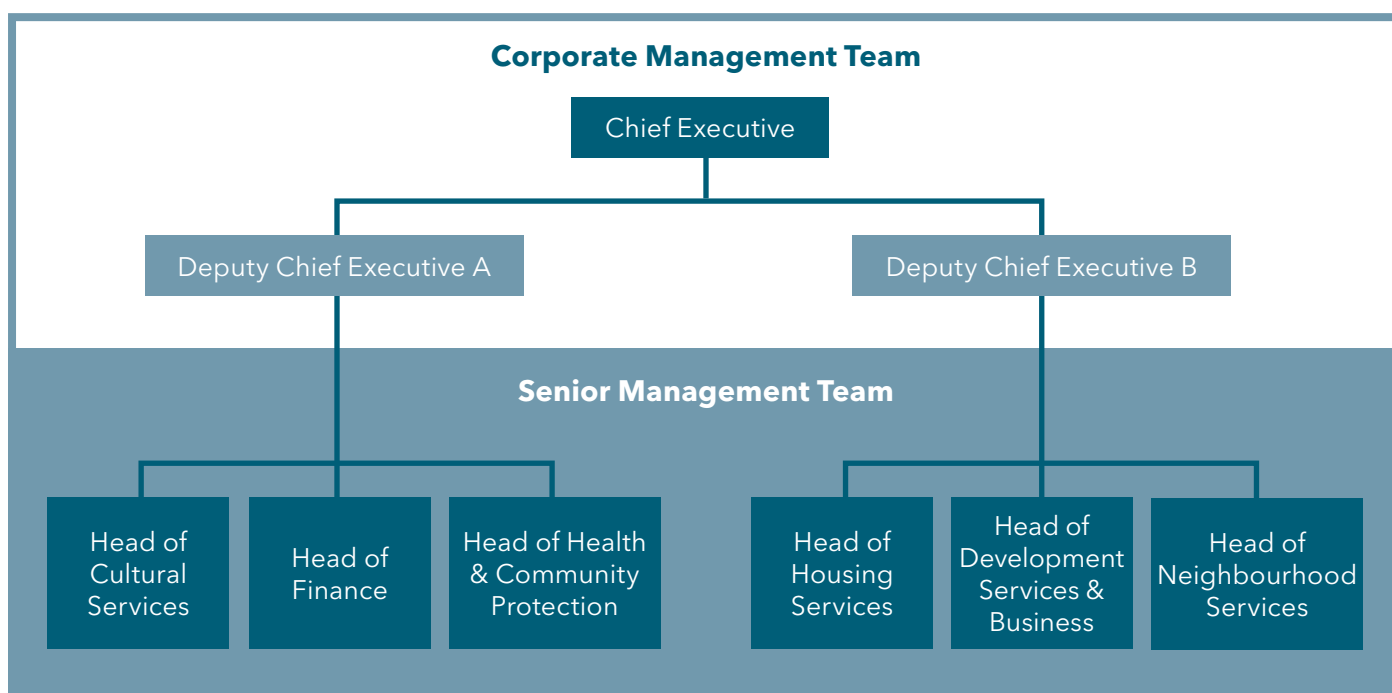
Warwick District Council Key Information

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.



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 2019/20 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 use of 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 2019 was 502. This increased over the year to 504 at the end of March 2020, including twelve apprentices, with six new starters in 19/20.

The Council is an Equal Opportunities employer throughout our recruitment and selection procedures, as well as learning and development, appraisal and promotion opportunities. We aim to recruit the best person for the job, using fair and open selection, based on knowledge and experience, skills and behaviour and welcome applications from all.

We promote an environment which offers opportunities for all our staff. 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.

Our Vision

The Council's Vision is to make Warwick District "a Great Place to Live, Work and Visit", underpinned by the Fit for the Future Strategy, setting out the Council's internal and external aims against 3 key strands.

The Council's latest Service Area Plans set out the delivery of these strands.

Visit our website for more information on the updated Fit For Future Strategy and the 2019/20 service area plans.

FIT FOR FUTURE STRANDS		
PEOPLE	SERVICES	MONEY
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
Intended outcomes: <ul style="list-style-type: none"> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities 	Intended outcomes: <ul style="list-style-type: none"> Becoming a net-zero carbon organisation by 2025 Total carbon emissions within Warwick District are as close to zero as possible by 2030 Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB 	Intended outcomes: <ul style="list-style-type: none"> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
Internal		
Effective Staff	Maintain or Improve Services	Financial Footing over the Longer Term
Intended outcomes: <ul style="list-style-type: none"> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours 	Intended outcomes: <ul style="list-style-type: none"> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of service 	Intended outcomes: <ul style="list-style-type: none"> Better return/use of our assets Full cost accounting Continued cost management Maximise income earning opportunities Seek best value for money

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.

Our Services

The Council provides valuable and accessible services for the community which helps to promote Warwick District as a great place to live, work and visit and these include:

CULTURAL SERVICES

- Sports & Leisure Management
- Active Communities
- Arts - Royal Spa Centre, Town Hall & Royal Pump Rooms and Museum

FINANCE

- Accountancy
- Audit & Risk
- Exchequer
- Benefits
- Procurement

HEALTH & COMMUNITY PROTECTION

- Community Partnership Team
- Regulatory
- Safer Communities

CHIEF EXECUTIVE

- Human Resources & Media
- ICT Services
- Democratic Services
- Asset Management

HOUSING SERVICES

- Housing Needs
- Sustaining Tenancies
- Housing Strategy & Development

DEVELOPMENT SERVICES

- Policy & Projects
- Building Control Consortium
- Development Management

NEIGHBOURHOOD SERVICES

- Bereavement Services
- Green Spaces
- Business Support & Development
- Car Parks
- Contract Services

Resource Strategies

Fit for the Future is supported by four resource strategies (Finance, Digital, People and Asset) which set out how the Council plans to utilise its resources to achieve its objectives:

DIGITAL 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 Digital 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 ensures 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 2019/20 TO 2023/24

The Medium Term Financial Strategy (MTFS) was approved by Council on 20 February 2019. This document sets out the financial framework used to ensure adequate financial resources are available to achieve the Council's objectives, and that appropriate action is taken to address significant future challenges.

ASSET STRATEGY

A new and updated Asset Management Strategy is being developed, which will enable the Council to assess, categorise and agree options and interventions for each of our corporate and commercial assets. This will also assist in meeting the Climate Emergency agenda and the emerging Council Action Plan.

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 2019/20 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.

Financial Overview

2019/20

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.

Revenue resources available to finance the General Fund budget, used to provide services are forecast to be approximately £14.057m by 2022/23. A year by year breakdown is shown in the diagram below:

REVENUE RESOURCES	2019/20 Actual '£000	2020/21 Forecast '£000	2021/22 Forecast '£000	2022/23 Forecast '£000
Revenue Support Grant	0	0	0	0
Business Rates	2,464	4,161	3,285	3,387
Collection Fund Balance	-329	-185	0	0
New Homes Bonus	3,359	3,726	725	105
Other Grants and Government Funding	2,718	0	0	0
Council Tax	10,893	9,598	10,080	10,565
Total Revenue Resources	19,305	17,300	14,090	14,057

The currently approved Medium Term Financial Strategy (MTFS) forecasts that a further £2.4m of savings / increased income are required for 2020/21 - 2023/24. However, this was approved prior to the Coronavirus pandemic and the Government's national lockdown, therefore the impact of the pandemic, and the subsequent changes to the Council's strategic objectives going forward, have not yet been reported.

Other future changes that are anticipated to have an impact on the Council's finances are:

- Revenue losses arising from COVID-19 lockdown, and the uncertainty around the future economic impact to the proportion of Business Rates income retained by local authorities from 2021/22.
- 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. The Council will continue to revise its MTFS to reflect future changes, providing updates to Executive / Council for approval as necessary.

In 2019/20 the Council approved a net General Fund budget of £9.274m which resulted in a D Band Council Tax charge of £166.86, an increase of £5 (3%) compared to the previous year.

Financial Overview

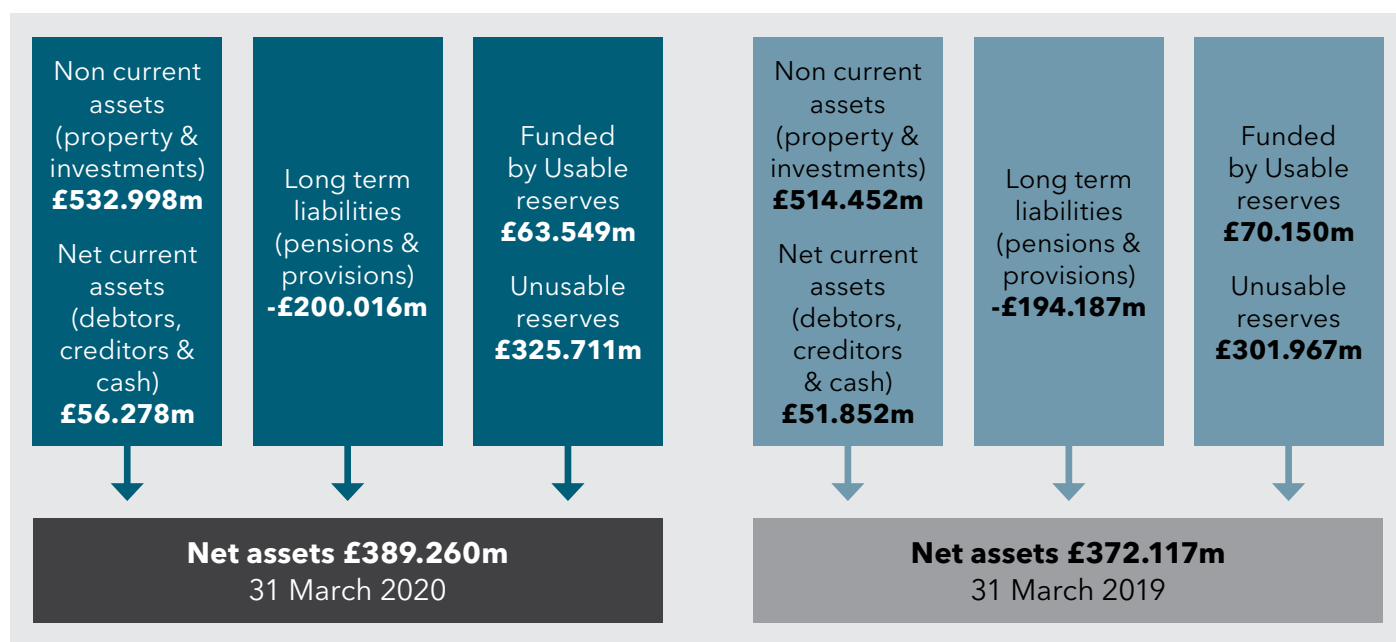
2019/20



DURING THE YEAR, THE COUNCIL:

- Managed cashflows in excess of £251m
- In 2019/20 collected over £64.729m of Business Rates and £103.139m of Council Tax, of which £149.453m (89%) is passed onto Central Government and other agencies.
- Managed £10.234m of Investment Property which generated £0.533m of rental income which was used to support the provision of services within the District.
- Spent £87.196m (gross expenditure) on Council services
- Received £41.930m of fees, charges and other service income, and Government grants and other contributions of £39.101m which were used to deliver Council services
- Invested surplus cash balances to generate £0.985m of interest received.

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 2020/21 is £22.643m, which is £21.143m above the specified minimum amount. £19.842m of this total relates to Earmarked Reserves which have been set aside for specific purposes.

Financial Performance

2019/20

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	Budget £000	Actual £000	Variation £000
Business (Development Services)	11,833	5,693	-6,140
Cultural Services	4,772	4,341	-431
Development Services	639	1,303	664
Finance	2,781	2,800	19
Health & Community Protection	4,104	3,124	-980
Housing Services - General Fund	1,869	1,586	-283
Housing Services - HRA	5,694	5,628	-66
Neighbourhood Services	7,052	7,023	-29
Strategic Leadership	3,295	2,698	-597
Net Revenue Expenditure on Services	42,039	34,196	-7,843

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 £0.782m, and a HRA surplus of £4.090m, both of which have been allocated to reserves.

Financial Performance

2019/20

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

Revenue Outturn Variances 2019/20	
Business (Development Services)	Capital charges: Revenue Expenditure Funded from Capital -£5.992m Income: Increased rental income -£0.123m
Cultural Services	Capital charges: impairment / asset revaluation -£0.267m Income: increased non-WDC admissions -£0.523m Supplies and Services: Increased arts fees due to admissions rise £0.176m Employees: casual staff requirements to support increased events £0.156m
Development Services	Income: lower than forecast planning applications £0.241m Capital charges: Revenue Expenditure Funded from Capital £0.435m
Finance	Income: Reduced Housing benefit subsidy claim £0.200m Transfer Payments: Housing benefit rent allowances / rebates -£0.085m Support Services: One stop shop -£0.086m
Health and Community Protection	Capital charges: Revenue Expenditure Funded from Capital -£0.963m
Housing and Property Services	Income: Disabled Facility Grant (DFG) allocation received -£0.130m Recharges -£0.164m Employees: Staffing vacancies -£0.073m Supplies and Services: DFG Grant paid to HEART £0.130m Support Services: Housing Strategy recharges for Homeless services £0.107m
Housing Revenue Account	Capital charges: Impairment / asset revaluation / depreciation -£0.236m Premises: Increased repairs and maintenance to improve stock £0.870m Support Services: Reduced Supervision and Management costs -£0.266m Supplies & Services: Increased bad debt provision £0.89m Income: Rents increased due to lower Right to Buy sales and new properties -£0.491m
Neighbourhood Services	Premises: Delays to car park displacement strategy -£0.199m Income: Reduced numbers of cremations £0.240m Recharges -£0.209m Support Services: Revised waste management recharges £0.234m
Strategic Leadership	Employees: Staffing for election £0.315m Supplies & Services: Digital transformation project reserve funded £0.200m Support Services: Revised waste management recharges £0.175m Premises: Delays to Repairs and maintenance works -£0.404m Third party payments: Legal Fees -£0.252m Income: Government Grants for election expenditure -£0.412m Parish / Town election -£0.224m Recharges £0.216m

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 these services is met from rents, service charges and grant funding. £28.116m of income was received, of which £25.348m related to dwelling rents from 5,477 properties. £19.808m of this was spent on providing revenue services in year, and a surplus of £4.814m was achieved. The surplus has been transferred to the HRA Capital Investment Reserve (CIR), to be used to finance future housing projects.

HRA Capital Investment reserve balances at 31 March 2020 equal £25.624m, and the Major Repairs Reserve (MRR) balance (used to fund capital expenditure improving HRA assets, or to repay HRA debt) is £5.849m. As outlined in the Housing Investment Programme (HIP), the Council plans to spend £10.501m in 2020.21 to improve its housing stock, following an £10.989m investment in 2019/20.

Capital Programme 2019/20 to 2023/24

The Council has an ambitious five year capital programme: it is planning to spend £100.538m over this period. This investment will deliver a range of objectives including:

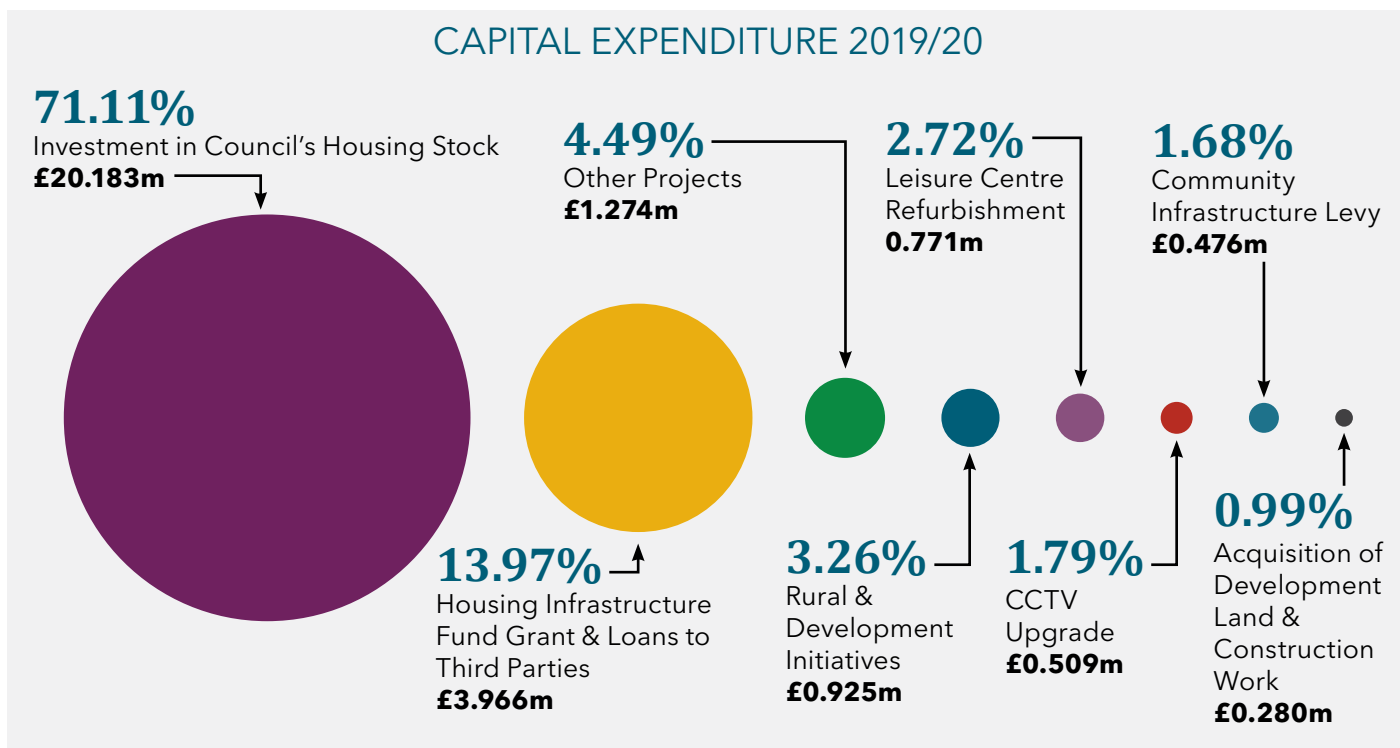
- Realising local aspirations as set out in the Fit for the Future programme - for example delivering enhanced leisure facilities following the refurbishment of St Nicholas and Newbold Comyn leisure centres
- Maintaining and enhancing the condition of existing assets including “invest to save” projects 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 (£4.657m), other usable capital receipts (£1.131m), contributions to capital works from developers (£14.212m), use of the Council’s own resources - either by revenue contributions to capital projects (£1.091m) or the use of earmarked reserves (£57.727m), and borrowing provided the Council can demonstrate that it can afford to service the debt (£20.285m).

The 2019/20 total capital budget of £26.356m was approved at the Council Meeting on 20 February 2019. This was subsequently revised to £53.712m with the addition of re-profiled expenditure from the previous financial year and further approvals in the year. Actual capital expenditure for 2019/20 was £28.384m (£24.464m 2018/19). The charts below detail this expenditure and the accompanying financing.



Capital Programme 2019/20



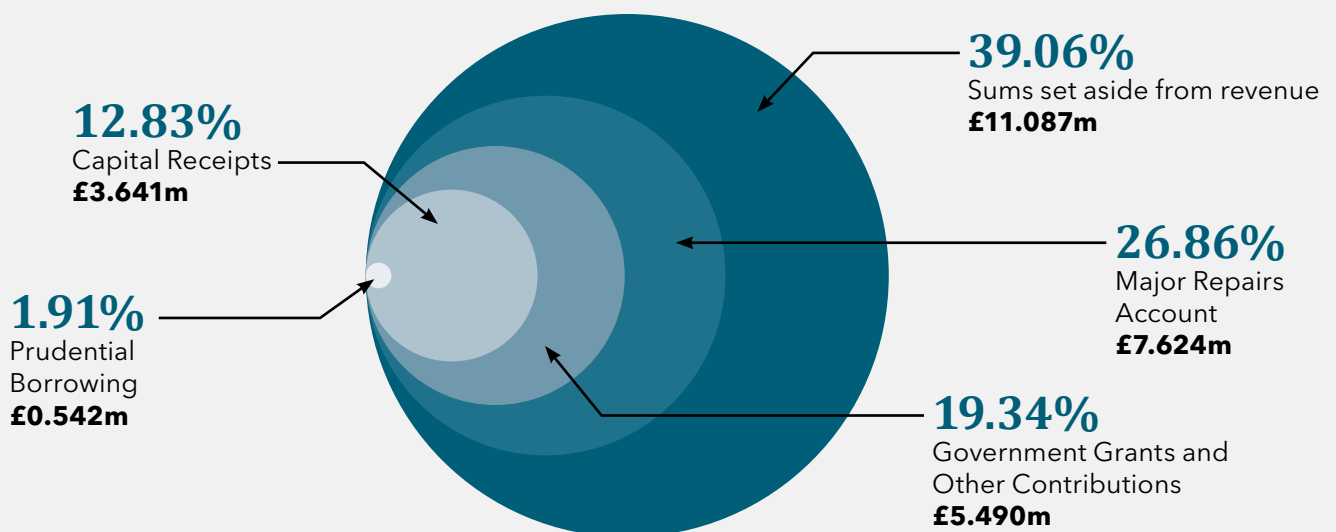
The expenditure analysis by portfolio, together with explanations of major project variances occurring in 2019/20 is shown in the tables below.

Capital Expenditure 2019/20	Budget £000	Actual £000	Variation £000
Culture	879	830	(49)
Development Services and Business	10,078	5,631	(4,447)
Finance	150	130	(20)
Health and Community Protection	219	84	(135)
Neighbourhood Services	998	804	(194)
Strategic Leadership	1,138	722	(416)
Total Other Services Expenditure	13,462	8,201	(5,261)
New Build/Reprovision of Housing	32,657	9,253	(23,404)
Improvements/Renewals	8,166	10,930	2,764
Total HRA Related Housing Investment Programme (HIP)	40,823	20,183	(20,640)
TOTAL Capital Expenditure	54,285	28,384	(25,901)

CAPITAL EXPENDITURE VARIANCES 2019/20

Major variances caused by:	
Development Services and Business	<p>Kenilworth School HIP Grant: Delay in purchase of site for new school -£4.628m</p> <p>CFS Aeroproducts Loan: Change in the payment profile -£0.100m</p> <p>2nd Warwick Sea Scouts HQ: Contingency budget provision not required in 19/20 -£0.088m</p> <p>Leper Hospital Site: Delays to programme of works completion -£0.053m</p>
Health and Community Protection	<p>Whitnash Community Hub: Delay due to resolving a drainage issue for storm water -£0.135m</p>
HRA Related HIP	<p>New Build: Delays to purchase of land -£10.733m and handover of constructed properties -£11.611m</p> <p>Roof Covering: Additional works required upon stock inspection £0.327m</p> <p>Fire Safety Works: Additional electrical, door and window works on medium to high rise properties £2.009m</p>
Neighbourhood Services	<p>Play area improvement: Delays due to staff resourcing -£0.111m</p> <p>Pump Room gardens parks: Bandstand undercroft and footpath works to be completed -£0.083m</p>
Strategic Leadership	<p>CCTV Replacement System: Delay in project -£0.391m</p>

CAPITAL FINANCING 2019/20



The Council's Performance at a glance 2019/20



Over **1.122 million** visitors to the Council's leisure centres



Over **137,000** visitors to Leamington Spa Art Gallery and Museum



Invested **£283,503** in improvement works to parks and open spaces



£14.8 million invested to improve, maintain and repair HRA properties



Over 4.3 million waste collections, with more than **99.92%** completed on the scheduled day



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



Over **120,000** visitors to the Royal Spa Centre



1,768 planning applications received
More than **98%** of planning applications determined within statutory timescale



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

The Council's Performance 2019/20

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

PEOPLE

- There are now twelve apprentices within the Council, recruited through either our corporate programme, converted roles, or existing staff studying for qualifications within their existing roles.
- Within the Housing Improvement Plan 2019/20, the Council has invested a further £2.200m 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 2020, the HEART service had assessed and arranged for work to be carried out to 33 homes.
- The Council received nearly £256k of Flexible Homelessness Support & Homeless Reduction grant from Central Government 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.
- A Further £397k of grant funding was secured as part of a bid to MCHLG's National Rough Sleeping Intervention Scheme to prevent and reduce rough sleeping within the District which funds a number of interventions including a Direct Access Hostel which provides round the clock accommodation, support and care for the homeless as well as partnership working to reduce homelessness with other Local Authorities, Charities and Community groups.

SERVICES

- On 15th March 2019 work was completed on the Pump Room Gardens including the restoration of the Victoria Bandstand, and reinstating key 19th century features. The total cost of the project was £1.217m funded by nearly £1.000m from the Heritage Fund Parks for People programme and contributions from WDC.
- The Council's recycling rate is approximately 55.28%, which is well ahead of the national target of 50% by 2020.

MONEY

- Royal Leamington Spa once again hosted the Bowls England National Championships in 2019. The Bowls England National Championships attracted around 30,000 players and supporters to Victoria Park in Royal Leamington Spa during the competition period, with a total visitor spend generated by the championships estimated at £1.126m.
- The Council achieved a collection rate of 98.23% for business rates and 98.14% for council tax.
- Over £1.700m 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. Information about the Council's interests in the Joint Venture is provided in more detail within the Group Accounts.

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 2019/20 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 in 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.



LEAMINGTON HIGH STREET

The Council has been successful in its expression of interest to the Government's Future of the High Street Fund for its vision to revitalise Leamington Town Centre. We are now developing proposals, including a range of linked projects focusing on the area either side of Victoria Bridge. These proposals will form a business case to be submitted in 2020. It is hoped this will directly provide a significant investment to support these projects, with the opportunity to lever in additional funding from other sources.



TACH BROOK COUNTY PARK

The Council is to develop and deliver a new country park stretching across 56 hectares located to the south of Leamington and Warwick. Tach Brook Country Park will form one of the largest green spaces in the district and will be the main green space within the urban extension. It will be haven for wildlife and biodiversity as well as a place to enjoy a range of outdoor activities.



KENILWORTH MULTI ACADEMY TRUST / SOCIAL HOUSING

Warwick District Council is supporting Kenilworth School & Sixth Form (now part of Kenilworth Multi-Academy Trust) with its relocation from its current split sites to a single site at South Crest Farm, Kenilworth. The Academy's current sites at Rouncil Lane and Leyes Lane are allocated in the Warwick District Local Plan for housing and through the Council's close work with the School, the Council is in a position to purchase both sites, having already exchanged contracts for land at Rouncil Lane and agreement in principle to purchase the Leyes Lane site. This will enable the Council to embark on an extensive social housing building programme.



EUROPA WAY

The Council has acquired a major development site. This may enable the provision of a new community stadium and associated commercial enabling development on part of the site. Leamington Football Club is due to 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 a housing provider to construct new properties of which 60% will be affordable.

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 2019/20

There are no significant changes to the 2019/20 Statement of Accounts.

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.

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 below for details.

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 2020, and its income and expenditure in the year ended 31 March 2020.

15 June 2020

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 19 August 2020.

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.

2018/19			Portfolio:	Note	2019/20		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
3,417	(701)	2,716	Business (Development Service)		6,486	(866)	5,620
10,354	(1,772)	8,582	Cultural Services		5,483	(2,584)	2,899
2,970	(2,652)	318	Development Services		3,790	(2,487)	1,303
31,249	(29,026)	2,223	Finance		29,349	(26,559)	2,790
3,661	(612)	3,049	Health & Community Protection		3,687	(564)	3,123
3,066	(1,714)	1,352	Housing Services General Fund		3,248	(1,707)	1,541
20,685	(27,626)	(6,941)	Housing Revenue Account		19,925	(28,139)	(8,214)
10,994	(5,887)	5,107	Neighbourhood Services		11,897	(5,886)	6,011
1,938	(346)	1,592	Strategic Leadership		3,331	(1,206)	2,125
88,334	(70,336)	17,998	Cost of Services - continuing operations		87,196	(69,998)	17,198
2,484	(770)	1,714	Other Operating Income and Expenditure	10	2,580	(1,243)	1,337
6,691	(1,449)	5,242	Financing and Investment Income and Expenditure	11	8,858	(1,781)	7,077
-	(20,962)	(20,962)	Taxation and Non-Specific Grant Income and Expenditure	12	-	(24,969)	(24,969)
		3,992	(Surplus) or Deficit on Provision of Services				643
			Other Comprehensive Income and Expenditure:				
		(19,632)	(Surplus) or Deficit on revaluation of Non Current Assets	22			(7,712)
		3,280	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve	22			827
		-	Surplus or deficit on revaluation of available for sale financial assets	22			-
		7,500	Remeasurement of the net defined benefit liability / (asset)	22			(12,123)
		(8,852)	Other Comprehensive Income and Expenditure				(19,008)
		(4,860)	Total Comprehensive Income and Expenditure				(18,365)

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.

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
Balance at 31 March 2017 carried forward	18,597	30,564	8,632	9,242	434	67,469	300,226	367,695
Movement in reserves during 2017/18								
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)	-
Increase / (Decrease) in 2018/19	2,216	1,731	(123)	(1,143)	438	3,119	1,741	4,860
Balance at 31 March 2019 carried forward	20,813	32,295	8,509	8,099	872	70,588	301,967	372,555

2019/20	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
Balance at 31 March 2019 carried forward	20,813	32,295	8,509	8,099	872	70,588	301,967	372,555
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	(5,549)	4,906	-	-	-	(643)	19,008	18,365
Adjustments from income & expenditure charged under the accounting basis to the funding basis (see note 9)	7,809	(10,247)	(1,252)	(1,599)	1,275	(4,014)	4,025	11
Increase / (Decrease) in 2019/20	2,260	(5,341)	(1,252)	(1,599)	1,275	(4,657)	23,033	18,376
Balance at 31 March 2020 carried forward	23,073	26,954	7,257	6,500	2,147	65,931	325,000	390,931

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 15 June 2020 and the audited accounts were issued on 19 August 2020.

31 March 2019		Note	31 March 2020
£'000			£'000
	Operational Assets:		
387,206	Council Dwellings		402,119
7,980	HRA Land and Buildings		8,016
74,391	Other Land and Buildings		73,262
2,735	Vehicles, Plant, Furniture and Equipment		3,510
2,001	Infrastructure Assets		1,961
7,638	Community Assets		7,703
	Non-Operational Assets		
316	Surplus Assets		275
429	Assets under Construction		4,879
482,696	Property, Plant and Equipment	13	501,725
8,315	Heritage Assets	14	9,005
10,966	Investment Properties	15	10,234
44	Intangible Assets	16	43
6,233	Long Term Investments	16	5,121
6,198	Long Term Debtors	16	6,809
514,452	LONG TERM ASSETS		532,937
35,427	Short Term Investments	16	36,158
84	Assets Held for Sale	17	86
12	Inventories		16
7,781	Short Term Debtors	18	6,365
27,366	Cash and Cash Equivalents	20	30,113
70,670	CURRENT ASSETS		72,738
(18,052)	Short Term Creditors	21	(14,090)
(1,471)	Provision Liabilities payable in less than 1 year	22	(2,370)
(19,523)	CURRENT LIABILITIES		(16,460)
(153)	Long Term Creditors		(153)
(3,318)	Provision Liabilities payable in more than 1 year	22	(3,286)
(136,157)	Long Term Borrowing	16	(148,157)
(47)	Other Long Term Liabilities	16	(30)
(4,903)	Capital External Grants/Contributions in Advance	33	(5,786)
(48,466)	Net Pensions Liability	38	(40,891)
(193,044)	LONG TERM LIABILITIES		(198,303)
372,555	NET ASSETS		390,912
70,588	Usable Reserves	32	65,913
301,967	Unusable Reserves	23	324,999
372,555	TOTAL RESERVES		390,912

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.

2018/19		Notes	2019/20
£'000			£'000
3,992	Net (Surplus) or deficit on the provision of services		643
(18,696)	Adjust net (surplus) or deficit on the provision of services for non cash movements	24	(16,944)
6,675	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	24	6,050
(8,029)	Net cash flows from Operating Activities		(10,251)
21,631	Investing Activities	25	16,679
(600)	Financing Activities	26	(9,176)
13,002	Net (increase) or decrease in cash and cash equivalents		(2,748)
(40,368)	Cash and cash equivalents at the beginning of the reporting period		(27,366)
(27,366)	Cash and cash equivalents at the end of the reporting period		(30,113)

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 2019/20 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 de-minimis limit will be material to the overall accounting position.

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

NOTES TO THE ACCOUNTS

the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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 2.3% (2.4% in 2018/19) at the IAS19 valuation date.

NOTES TO THE ACCOUNTS

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 August. 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 August 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.

NOTES TO THE ACCOUNTS

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,
- 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.

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- 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

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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.

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

NOTES TO THE ACCOUNTS

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 19 Employee Benefits: - The amendment will require the re-measurement of net pension asset/liability following planned amendments, curtailments or settlements to be used to determine current service cost and net interest for the period after the change to the plan. The updated assumptions only apply to changes from 1 April 2020 and, since this movement to the net pension liability is uncertain, no prediction can be made of the possible accounting impact.

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 2021.

Other Changes

The following accounting standards will be implemented in 2020/21 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:

Amendments to IAS28 Investment in Associates and Joint Ventures: Long term interests in Associates and Joint Ventures – The amendment clarifies that an entry applies IFRS 19, including its impairment requirements to long term interests and associate or joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The implementation date of this amendment is 1 April 2020.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle - makes minor amendments, principally providing clarification, to a number of accounting standards: (i) IFRS 3, Business Combinations and IFRS 11 Joint Arrangements. (ii) IAS 12 Income Taxes (iii) IAS 23 Borrowing Costs.

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 2019/20 were not considered material for the Council so group accounts have not been prepared. Instead, 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 2019/20 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.
- 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 28 February 2020 as these assets are revalued every year for HRA business plan purposes. This valuation date is treated as a proxy for 31 March 2020 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 28 February 2020 valuation such as to make it inappropriate to use as a proxy for 31 March 2020. This takes into consideration the impact of COVID-19, following an update statement received from our valuers Carter Jonas dated 4 June 2020.
- During 2017/18 the Council invested £6m in two Corporate Equity Funds which at 31 March 2020 were valued at £5.122m, a fall of £1.111m over the 31 March 2019 position, and reflecting a

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reduction of £0.878m 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 £5.122m. 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, although it is seeking to divest from fossil fuels (a composite element of such funds) at the earliest opportunity. Previously the changes in capital value would have impacted on the General Fund but for 2019/20 and the subsequent 3 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 2019/20, the Council made long term loans for capital expenditure amounting to £0.530m 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. The Council has assessed the impact of COVID-19 and does not believe that this issue 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on capital enhancements and repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £313k for every year that the useful lives had to be reduced.</p>
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 March 2020 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>	An increase over the forthcoming year of 10% in settlements would have the effect of adding £147k to the provisions needed.
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 Note 36 Defined Benefit Pension Schemes.</p>
Arrears	At 31 March 2020, the Council had a balance of arrears of Housing Rents, Council Tax, Business Rates and other sundry debtors of £6m. A review of the above suggested that an impairment of doubtful debts of 50.3% (£3.02m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £3.02m to be set aside as an allowance.

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

NOTES TO THE ACCOUNTS

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 19 August 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events took place before this date, provided information about conditions existing at 31 March 2020, 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 2020 there are two key events after the Reporting Period for the Council to disclose. The first key event is Coronavirus, with the pandemic impacting at the very end of the financial year, and the Government's imposing a national lockdown from 23 March 2020. This has not had a significant impact on the financial outturn for 2019/20, with PPE valuations remaining unchanged following confirmation with our valuers, Carter Jonas. While the true scale of its impact will be felt during 2020/21, it is difficult to quantify the impact of COVID-19 at this stage, and while emergency Government funding has been received to mitigate some of the impact, the Council will face significant financial pressures in the immediate future.

The second event is Brexit, with the United Kingdom having now left the EU in January 2020, and the transition period due to end in December 2020. This may impact events during the closure of accounts period, or even during the audit process and may need to be reflected in the accounts 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.

6. 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.

	2019/20		
	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
Portfolio:	£'000	£'000	£'000
Business (Development Services)	1,330	4,290	5,620
Cultural Services	2,173	727	2,900
Development Services	385	918	1,303
Finance	3,719	(929)	2,790
Health & Community Protection	2,401	722	3,123
Housing Services - General Fund	1,298	243	1,541
Housing Services - HRA	1,066	(9,280)	(8,214)
Neighbourhood Services	5,409	603	6,011
Strategic Leadership	1,610	514	2,124
Net Costs of Services	19,391	(2,192)	17,198
Other Income and Expenditure	(16,401)	84	(16,555)
(Surplus) or Deficit	2,990	(2,108)	643

Opening General Fund and HRA I	(53,108)
Less/Plus Surplus / (Deficit) on Ger	3,081
Closing General Fund and HRA B	(50,027)

	2018/19		
	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
Portfolio:	£'000	£'000	£'000
Business (Development Services)	1,930	786	2,716
Cultural Services	3,928	4,654	8,582
Development Services	110	208	318
Finance	1,978	245	2,223
Health & Community Protection	2,487	562	3,049
Housing Services - General Fund	1,210	142	1,352
Housing Services - HRA	(6,162)	(779)	(6,941)
Neighbourhood Services	4,883	224	5,107
Strategic Leadership	1,197	395	1,592
Net Costs of Services	11,561	6,437	17,998
Other Income and Expenditure	(15,508)	1,502	(14,006)
(Surplus) or Deficit	(3,947)	7,939	3,992

Opening General Fund and HRA Balance	(49,161)
Less/Plus Surplus / (Deficit) on General Fund and HRA Balance in Year	(3,947)
Closing General Fund and HRA Balance	(53,108)

NOTES TO THE ACCOUNTS

Note to the Expenditure and Funding Analysis:

Adjustments between Funding and Accounting Basis				
				2019/20
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)	(4,086)	(203)	(1)	(4,290)
Cultural Services	(425)	(300)	(2)	(727)
Development Services	(536)	(381)	(1)	(918)
Finance	1,325	(393)	(3)	929
Health & Community Protection	(343)	(378)	(1)	(722)
Housing Services - General Fund	(58)	(183)	(2)	(243)
Housing Services - HRA	9,707	(428)	1	9,280
Neighbourhood Services	(227)	(376)	-	(603)
Strategic Leadership	203	(708)	(9)	(514)
Net Cost Of Services	5,560	(3,350)	(18)	2,192
Other income and expenditure from the Expenditure and Funding Analysis	3,631	(42)	(3,673)	(84)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	9,191	(3,392)	(3,691)	2,108

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)
Net Cost Of Services	(21,429)	(1,790)	(20)	(23,239)
Other income and expenditure from the Expenditure and Funding Analysis	1,535	(1,053)	(1,864)	(1,382)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(19,894)	(2,843)	(1,884)	(24,621)

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.

Segmental Income

Income received on a segmental basis is analysed below:

NOTES TO THE ACCOUNTS

	2019/20	2018/19
Portfolio	Income from Services	Income from Services
	£000	£000
Business (Development Services)	573	594
Cultural Services	2,543	1,772
Development Services	2,356	2,652
Finance	402	580
Health & Community Protection	456	577
Housing Services - General Fund	231	346
Housing Services - HRA	28,112	27,448
Neighbourhood Services	5,661	5,886
Strategic Leadership	541	851
Total income analysed on a segmental basis	40,875	40,706

7. Expenditure and Income Analysed by Nature

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

Expenditure / Income	2019/20	2018/19
	£000	£000
Expenditure		
Employee benefits expenses	23,488	19,889
Other services expenses	53,917	54,567
Depreciation, amortisation and impairment	13,727	15,798
Interest payments	4,768	4,770
Precepts and Levies	1,619	1,523
Payments to Housing Capital Receipts Pool	961	961
Total Expenditure	98,480	97,508
Income		
Fees, charges and other service income	(42,060)	(40,706)
Gain on the disposal of assets	(1,243)	(770)
Interest and investment income	(1,108)	(937)
Income from Council Tax and Business Rates	(13,172)	(14,235)
Government grants and contributions	(40,254)	(36,868)
Total Income	(97,837)	(93,516)
Surplus or Deficit on the Provision of Services	643	3,992

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement 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

2019/20	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the					
■ Pensions costs (transferred to (or from) the Pensions Reserve)	(3,966)	(582)			
■ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(2,568)				
■ Holiday pay (transferred to / (from) the Accumulated Absences Reserve)	(19)	1			
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to revaluation of Financial Instruments	(1,105)				
■ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,776)	(1,695)			438
Total Adjustments to the Revenue Account	(11,434)	(2,276)	-	-	438
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	155	3,152	(3,350)		
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				(6,025)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,718	9,371			
Total Adjustments between Revenue and Capital	1,912	12,523	(2,389)	(6,025)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure			3,641		
Use of the Major Repairs Reserve to finance capital expenditure				7,624	
Application of capital grants unapplied credited to the CIES	1,713				(1,713)
Total Adjustments to Capital Resources	1,713	-	3,641	7,624	(1,713)
Total Adjustments	(7,809)	10,247	1,252	1,599	(1,275)

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
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the					
■ Pensions costs (transferred to (or from) the Pensions Reserve)	(2,455)	(388)	-	-	-
■ Financial instruments (transferred to the Financial Instruments Adjustments Account)	-	-	-	-	-
■ 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)	-	-	-
Total Adjustments to the Revenue Account	(10,963)	(3,399)	-	-	-
Adjustments between Revenue and Capital Resources					
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	-	-	
Total Adjustments between Revenue and Capital	1,059	4,926	(1,690)	(6,616)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital			1,813		
Use of the Major Repairs Reserve to finance capital expenditure				7,759	
Application of capital grants to finance capital expenditure	438				(438)
Cash payments in relation to deferred capital receipts	-	-	-	-	-
Total Adjustments to Capital Resources	438	-	1,813	7,759	(438)
Total Adjustments	(9,466)	1,527	123	1,143	(438)

9. 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 2019/20:

NOTES TO THE ACCOUNTS

	Balance at	Transfers Out	Transfers In	Balance at
	1 April 2019	2019/20	2019/20	31/03/2020
	£000	£000	£000	£000
General Fund:				
Art Fund Reserve				-
Art Gallery Gift Reserve	129	(3)	5	132
Building Control Reserve	179	(32)	155	302
Business Rate Retention Volatility Reserve	4,535	-	2,986	7,522
Capital Investment Reserve	1,206	(330)	278	1,153
Car Park Displacement Reserve	604	(119)	-	485
Car Parks Repairs & Maintenance Reserve	383	(220)	38	201
Cemetery Land Purchase Reserve	16	-	-	16
Climate Change Reserve	-	-	-	-
Commonwealth Games Reserve	42	(94)	100	48
Community Forums Reserve	21	(24)	3	-
Community Projects Reserve	1,824	(554)	649	1,919
Corporate Assets Reserve	2,129	(966)	11	1,174
Covent Garden Multi Storey Reserve	900	-	-	900
Digital by Default Reserve	114	-	16	130
Earmarked Balances Reserve	1,606	(1,944)	1,070	732
Election Expenses Reserve	105	(100)	-	5
Energy Management Reserve				-
Enterprise Projects Reserve	170	(3)	71	238
Equipment Renewals Reserve	621	(37)	100	684
G M Commuted Sums Reserve	420	(30)	-	390
GF Early Retirements Reserve	85	(38)	12	58
Harbury Lane Reserve	84	-	-	84
Hill Close Gardens Reserve	20	(20)	-	-
Homelessness Prevention Reserve	522	(104)	140	559
ICT Replacement Reserve	76	(232)	250	94
Insurance Reserve	274	-	-	274
Investment Volatility Reserve	100	-	-	100
Leisure Options Reserve	63	(37)	-	26
Local Plan Delivery Reserve	12	(17)	49	44
Planning Investment Reserve	177	(256)	190	111
Planning Appeal Reserve	484	(147)	138	475
Public Amenity Reserve	337	(232)	-	105
Public Open Space Planning Gain Reserve	473	(51)	40	462
Rent Bond Scheme Reserve				-
Revenue Grants / Contributions Received in Advance	764	(605)	277	436
Right to Bid Reserve				-
Right to Challenge Reserve				-
Riverside House Maintenance Reserve	11	(11)	-	-
Services Transformation Reserve	281	(243)	1,049	1,087
Tourism Reserve	27	-	-	27
TOTAL GENERAL FUND	18,794	(6,449)	7,627	19,972
HRA:				
HRA Capital Investment Reserve	30,763	(9,203)	4,061	25,621
HRA Early Retirements Reserve	21	-	-	21
HRA Rev Grants/Contribs In Advance Reserve	10	(18)	18	10
HRA Earmarked Reserves	-	(477)	517	40
HRA Rough Sleeping Initiative	46	(46)	61	61
TOTAL HRA	30,841	(9,744)	4,656	25,753
TOTAL EARMARKED RESERVES	49,635	(16,193)	12,283	45,725

NOTES TO THE ACCOUNTS

Some of the significant earmarked reserves, and their purpose are listed below

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 2019/20 to 2020/21 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.

10. Other Operating Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
1,523	-	1,523	Parish Council Precepts	1,619	-	1,619
961	-	961	Payments to Govt. Housing Capital Receipts Pool	961	-	961
-	(770)	(770)	(Gain) or loss on the disposal of non-current assets	-	(1,243)	(1,243)
2,484	(770)	1,714	Total	2,580	(1,243)	1,337

11. Financing and Investment Income and Expenditure

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
4,769	-	4,769	Interest Payable and similar charges	4,888	-	4,888
1,053	-	1,053	Net Interest on the net defined benefit liability	1,199	-	1,199
-	(937)	(937)	Interest receivable and similar income	-	(1,228)	(1,228)
669	(512)	157	Income and expenditure in relation to investment properties and changes in their fair value	1,666	(553)	1,113
200	-	200	Financial Instrument Revaluations Income / Expenditure	1,105	-	1,105
6,691	(1,449)	5,242	Total	8,858	(1,781)	7,077

NOTES TO THE ACCOUNTS

12. Taxation and Non Specific Grant Income and Expenditure

Gross Income		Gross Income
2018/19		2019/20
£000		£000
(10,259)	Council Tax income	(10,707)
(4,931)	Non-ringfenced Government Grants	(6,077)
(3,977)	Non-domestic rates income and expenditure	(2,464)
(1,795)	Capital Grants and Contributions	(5,721)
(20,962)	Total	(24,969)

13. Property, Plant and Equipment

Movements on Balances								
Movements in 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2019	387,206	87,012	10,334	2,437	8,162	629	434	496,214
Additions	14,934	1,097	1,230	22	113	-	5,411	22,807
Revaluation increases / (decreases) recognised in the Revaluation Reserve	815	510	-	-	-	(12)	-	1,313
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	890	17	-	-	-	-	-	907
Derecognition - disposals	(1,946)	(33)	-	-	-	-	-	(1,979)
Assets reclassified (to) / from Other Accounts	220	-	-	-	-	-	(306)	(86)
Other movements in cost or valuation							(655)	(655)
At 31 March 2020	402,119	88,603	11,564	2,459	8,275	617	4,884	518,521
Accumulated Depreciation and Impairment								
At 1 April 2019	-	(4,641)	(7,599)	(436)	(524)	(313)	(5)	(13,518)
Depreciation charge for 2019/20	(5,374)	(2,779)	(455)	(62)	(48)	(29)	-	(8,747)
Depreciation written out to the Revaluation Reserve	5,274	69	-	-	-	-	-	5,343
Depreciation written out to the Surplus / Deficit on the Provision of Services	100	26	-	-	-	-	-	126
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
At 31 March 2020	-	(7,325)	(8,054)	(498)	(572)	(342)	(5)	(16,796)
Net Book Value								
31 March 2020	402,119	81,278	3,510	1,961	7,703	275	4,879	501,725
31 March 2019	387,206	82,371	2,735	2,001	7,638	316	429	482,696

NOTES TO THE ACCOUNTS

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

Depreciation

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

- Council houses – component depreciation up to 75 years, changed from 60 years last year following confirmation from Carter Jonas.
- 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

NOTES TO THE ACCOUNTS

Capital Commitments and Planned Works 2019/20

As at 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years.

The major contractual commitments at 31 March 2020 are:

General Fund	£000
CCTV	353
Housing Investment Programme	£000
Purchase of properties	11,393
Construction of properties	9,615
Fire risk assessments	136

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.

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 March 2020	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	275	67	208	Direct observation of transactions involving similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	275	67	208	

As at 31 March 2019	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
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 within the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	316	79	237	

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.

General Fund property values in the Balance Sheet are based on 1 April 2015, 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019 or 28 February 2020 valuations. Housing Revenue Account property values are based on 1 April 2019 valuations.

NOTES TO THE ACCOUNTS

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	-	-	1,961	7,703	3,480	-	2,379	15,524
Valued at fair value as at:								
- 2019/20	402,119	10,708	-	-	-	147	2,500	415,473
- 2018/19	-	58,596	-	-	-	128	-	58,724
- 2017/18	-	8,775	-	-	-	-	-	8,775
- 2016/17	-	2,587	-	-	-	-	-	2,587
- 2015/16	-	646	-	-	-	-	-	646
Total Cost or Valuation	402,119	81,311	1,961	7,703	3,480	275	4,879	501,728

It should be noted that the total figure in the table on this page does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £30k. This difference relates to the balance outstanding at 31 March 2020 on the Colour Copier and Dog Wardens Van Finance leases which is not included in the table above.

14. 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 February 2020. 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 February 2025.

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 February 2020 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 2019/20, items amounting to £310 have been added to the Social History collection, all of which were of low intrinsic value. Items amounting to £38,100 have been added to the Fine Art Collection which includes two paintings valued at £8,000 and £4,500 each.

NOTES TO THE ACCOUNTS

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. A copy 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.

A reconciliation of the Carrying Value of Heritage Assets held by the Authority is shown below:

	Decorative Arts Collection	Visual Arts Collection	Other	Total
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2019	332	6,952	1,031	8,315
Additions	-	38	-	38
Revaluation	(14)	644	26	656
Other Movements in Cost or Valuation	-	-	-	-
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(4)	(4)
At 31 March 2020	318	7,634	1,053	9,005
At 1 April 2018	331	6,923	1,016	8,270
Additions	-	6	2	8
Other Additions	1	17	16	34
Other Movements in Cost or Valuation	-	4	-	4
Derecognition - Disposals	-	-	-	-
Depreciation	-	-	(4)	(4)
At 31 March 2019	332	6,950	1,030	8,312

A summary of Heritage Assets transactions is shown below:

	2019/20	2018/19
	£'000	£'000
Cost of Acquisitions of Heritage Assets:		
Purchases:		
Visual Arts	6	8
Social History		2
Donations:		
Decorative Arts	-	1
Visual Arts	32	17
Social History etc.	-	15
Total Cost of Acquisitions	38	43
Revaluation of Heritage Assets:		
Decorative Arts	-	14
Visual Arts	644	4
Social History	26	-
Total Revaluations	656	4

NOTES TO THE ACCOUNTS

15. 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:

	2019/20	2018/19
	£000	£000
Rental income from investment property	553	512
Direct operating expenses arising from investment property	(934)	(635)
Net gain / (loss)	(381)	(123)

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

	2019/20	2018/19
	£000	£000
Balance at start of the year	10,966	11,000
Net gains / (losses) from fair value adjustments	(732)	(34)
Balance at end of year	10,234	10,966

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 2020 and 2019 are as follows:

As at 31 March 2020	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	10,234	2,203	8,031	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	10,234	2,203	8,031	
As at 31 March 2019	Fair Value	Land	Buildings	Valuation Technique Used to Determine Fair Value
	£000	£000	£000	
1- quoted prices in active markets for identical assets	-	-	-	
2 - inputs other than quoted market prices	10,966	2,637	8,329	Direct observation of the passing rents on similar properties within the local property market.
3 - unobservable inputs for the asset	-	-	-	
Total	10,966	2,637	8,329	

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

NOTES TO THE ACCOUNTS

16. 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 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value through profit and loss	5,122	6,233	-	-	22,436	31,959	-	-	27,558	38,192
Amortised cost	-	3,017	6,725	6,071	43,657	27,795	6,785	8,306	57,167	45,189
Total	5,122	9,250	6,725	6,071	66,093	59,754	6,785	8,306	84,725	83,381

Financial Liabilities	Non Current				Current				TOTAL	
	Borrowings		Creditors		Borrowings		Creditors		TOTAL	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(148,185)	(136,201)	-	-	(2)	(3)	(19,410)	(16,227)	(167,597)	(152,431)
Total	(148,185)	(136,201)	0	0	(2)	(3)	(19,410)	(16,227)	(167,597)	(152,431)

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 the Council's financial assets designated as Fair Value Through Profit and Loss at 31 March 2020, 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.

FINANCIAL INSTRUMENTS THROUGH PROFIT AND LOSS					
Asset	Rating	Exposure at 31 March 2020	Maximum Exposure	Credit Default Risk	Maximum potential change in fair value through credit risk
		£000	£000		£000
Federated Money LVNAV Market Fund	AAAm / Aaa-mf / AAAmmf	3,263	10,000	0.04%	4
Federated Cash Plus VNAV Account	AAAf S1 / Aaa-bf / AAA/V1	6,046	6,000	0.04%	2
Deutsche Global LVNAV MMF	AAAm / Aaa-mf / AAAmmf	3	10,000	0.04%	4
Aberdeen/Standard Life (Igris) LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	2,995	10,000	0.04%	4
Goldman Sachs LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	12	10,000	0.04%	4
Royal London Cash Plus VNAV Money Market Fund	AAAf S1 / Aaa-bf / AAA/V1	6,029	6,000	0.04%	2
Invesco LVNAV Money Market Fund	AAAm / Aaa-mf / AAAmmf	56	10,000	0.04%	4
Royal London Equity Income Fund	Low Risk	2,553	4,000	N/A	-
Threadneedle Equity Income Fund	Low Risk	2,569	4,000	N/A	-
Standard Chartered CD	A+	4,032	7,000	0.05%	4
Total		27,558	77,000		28

NOTES TO THE ACCOUNTS

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 2020	31 March 2020	31 March 2019	31 March 2019
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains / (losses) on:				
Financial assets at fair value through profit and loss	(1,105)	-	(200)	-
Total net gains or (losses)	(1,105)	-	(200)	-
Interest revenue:				
Financial assets measured at amortised cost	655	-	605	-
Other financial assets measured at fair value through profit or loss	302	-	320	-
Total interest revenue	957	-	925	-
Interest expense				
Fee expense:				
Financial assets or financial liabilities that are not at fair value through profit or loss	(4,888)	-	(4,769)	-
Total fee expense	(4,888)	-	(4,769)	-

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	31 March 2020 £000	31 March 2019 £000
Financial Assets - Fair Value through Profit and Loss				
Corporate Equity Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	5,122	6,234
Money Market Funds	2	Funds are not priced or traded on an exchange but priced by fund managers using underlying assets prices	18,404	25,615
Certificates of Deposit, Bonds, etc.	1	Based on "mid-price" basis where there is an active market for the actual instrument	4,032	6,344
Total			27,558	38,193

NOTES TO THE ACCOUNTS

Non-current Investments of £5.121m in the Balance Sheet comprise of £5.121m corporate equity funds as shown in the table above.

Current investments of £66.093m are made up of £18.404m of money market funds and £4.032m of certificates of deposit investments, as shown in the table above, as well as £43.657m 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, which is re-assessed at review meetings, the Council is satisfied that the funds are professionally managed and the valuations are accurate.

The Council's certificate of deposit investments has been revalued in the accounts to fair value at 31 March 2020 using prices supplied by its custodians, King & Shaxson Ltd., at 31 March 2020. 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.

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. A further £12m was taken in 2019/20 for General Fund purposes with a maturity to 28 August 2059. 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 £289,666,201. The difference between this figure and the £148,157,000 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 and September 2019. 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 £148,157,000 is £179,903,902 including potential premiums of £31,688,981, plus accrued interest. 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 carried 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.

NOTES TO THE ACCOUNTS

The Fair Values are calculated as follows:

Financial Assets	31 March 2020		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Short-term investments	43,657	43,657	27,795	27,795
Long-term investments	-	-	3,017	3,017
Short-term debtors	6,785	6,785	8,306	8,306
Long-term debtor	6,725	6,725	6,071	6,071
Total Financial Assets	57,167	57,167	45,189	45,189

Financial Liabilities	31 March 2020		31 March 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB debt	(148,157)	(179,904)	(136,157)	(179,169)
Short-term creditors	(19,410)	(19,410)	(16,227)	(16,227)
Short-term finance lease liability	(2)	(2)	(3)	(3)
Long-term finance lease liability	(28)	(28)	(44)	(44)
Total Financial Liabilities	(167,597)	(199,344)	(152,431)	(195,443)

17. 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.

	2019/20	2018/19
	£000	£000
Balance outstanding at start of year	84	122
Assets newly classified as held for sale:		
- Property, Plant and Equipment	86	84
Assets sold	(84)	(122)
Balance outstanding at year-end	86	84

NOTES TO THE ACCOUNTS

18. Debtors

Debtors are amounts due to the Council:

	31 March 2020	31 March 2019
	£000	£000
Trade receivables	3,458	2,935
Prepayments	156	201
Other receivable amounts :-		
External funding	1,003	723
VAT	1,254	1,118
Business Rates/Council Tax etc	493	2,803
Investments	1	1
Total Debtors	6,365	7,781

19. 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 2020	31 March 2019
	£000	£000
Less than three months	3,177	2,963
Three to six months	1,018	757
Six months to one year	593	744
More than one year	885	844
Total Debtors	5,673	5,308

20. Cash and Cash Equivalents

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

	31 March 2020	31 March 2019
	£'000	£'000
Cash held by the Council	51	5
Bank current accounts	95	412
Money Market deposits	29,967	26,949
Total Cash and Cash Equivalents	30,113	27,366

NOTES TO THE ACCOUNTS

21. Creditors

Creditors are amounts owed to others by the Council:

	31 March 2020	31 March 2019
	£000	£000
Trade payables	(3,951)	(8,228)
Other payable amounts :-		
External Funding	(3,934)	(680)
Business Rates, Council tax etc	(6,184)	(9,141)
Investments	(21)	(3)
Total Creditors	(14,090)	(18,052)

22. Provisions

Provisional Liabilities Payable in More Than One Year	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000
Balance at 1 April 2019	2,820	223	275	3,318
Additional provisions made in 2019/20	-	-	53	53
Unused amounts reversed in 2019/20	-	(5)	-	(5)
Amounts payable < 1 year transferred to short term provision	-	(23)	(57)	(80)
Balance at 31 March 2020	2,820	195	271	3,286

Provisional Liabilities Payable in Less Than One Year	Business Rates Appeals	Insurances General Fund	Insurances HRA	Total
	£000	£000	£000	£000
Balance at 1 April 2019	1,400	33	38	1,471
Additional provisions made in 2019/20	2,250	-	-	2,250
Amounts used in 2019/20	-	(26)	(55)	(81)
Amounts payable < 1 year transferred from long term provision	(1,350)	23	57	(1,270)
Balance at 31 March 2020	2,300	30	40	2,370

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 assess 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.

NOTES TO THE ACCOUNTS

23. Unusable Reserves

31 March 2019		31 March 2020
£000		£000
96,514	Revaluation Reserve	102,356
788	Deferred Capital Receipts Reserve	788
(299)	Financial Instruments Revaluation Reserve	(1,404)
252,822	Capital Adjustment Account	266,116
(12)	Financial Instruments Adjustment Account	(12)
(48,466)	Pensions Reserve	(40,891)
929	Collection Fund Adjustment Account	(1,629)
(308)	Accumulated Absences Account	(325)
301,967	Total Unusable Reserves	324,999

Revaluation Reserve

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

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

2018/19		2019/20	
		£000	£000
81,155	Balance at 1 April		96,514
19,632	Upward revaluation of assets	7,712	
(3,280)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(827)	
16,352	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		6,885
	- Recognition of Heritage Assets on Donation		
(790)	Difference between fair value depreciation and historical cost depreciation	(775)	
(203)	Accumulated gains on assets sold or scrapped	(268)	
(993)	Amount written off to the Capital Adjustment Account		(1,043)
96,514	Balance at 31 March		102,356

Deferred Capital Receipts Reserve

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

2018/19		2019/20
£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	-
788	Balance at 31 March	788

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.

2018/19		2019/20
£000		£000
(99)	Balance at 1 April	(299)
-	- Upward revaluation of investments	-
-	- Downward revaluation of investments	-
(200)	Change in impairment loss allowances	(1,105)
(299)	Balance at 31 March	(1,404)

Capital Adjustment Account

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

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

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

NOTES TO THE ACCOUNTS

2018/19		2019/20	
£000		£000	£000
254,210	Balance at 1 April		252,820
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,287)	- Charges for depreciation and impairment of non-current assets	(8,751)	
(5,846)	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	758	
(1)	- Amortisation of intangible assets	-	
(663)	- Revenue expenditure funded from capital under statute	(5,049)	
(1,881)	- 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	(2,079)	
(17,678)			(15,121)
203	Accumulated gains on assets sold or scrapped		268
790	Difference between fair value depreciation and historical cost depreciation		776
(16,685)	Net written out amount of the cost of non-current assets consumed in the year		(14,077)
	Capital Financing applied in the year:		
1,814	- Use of the Capital Receipts Reserve to finance new capital expenditure	3,641	
7,760	- Use of the Major Repairs Reserve to finance new capital expenditure	7,624	
1,322	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,505	
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	-	
4,295	- Capital expenditure charged against the General Fund and HRA balances	11,041	
15,191			27,811
106	Minimum Revenue Provision		238
(34)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(732)
34	Removal of initial recognition of Donate Assets credited to the Comprehensive Income and Expenditure Statement		56
252,822	Balance at 31 March		266,116

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.

2018/19		2019/20
£000		£000
(38,123)	Balance at 1 April	(48,466)
(7,500)	Remeasurements of the net defined benefit liability	12,123
(5,488)	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	(7,290)
2,645	Employer's pensions contributions and direct payments to pensions payable in the year	2,742
(48,466)	Balance at 31 March	(40,891)

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
2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
£000	£000	£000		£000	£000	£000
64	2,530	2,594	Balance at 1 April	159	770	929
95	(1,760)	(1,665)	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	(329)	(2,229)	(2,558)
159	770	929	Balance at 31 March	(170)	(1,459)	(1,629)

NOTES TO THE ACCOUNTS

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.

2018/19		2019/20	
£000		£000	£000
(287)	Balance at 1 April		(308)
287	Settlement or cancellation of accrual made at the end of the preceding year	308	
(308)	Amounts accrued at the end of the current year	(325)	
(21)	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		(17)
(308)	Balance at 31 March		(325)

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19		2019/20	
£000		£000	
(440)	Interest received		(568)
4,767	Interest paid		4,865
3	Interest element of finance lease payments		2
4,330			4,299

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

2018/19		2019/20	
£000		£000	
(9,280)	Depreciation		(8,751)
(5,858)	Impairment and revaluations in Consolidated Income and Expenditure		786
(1)	Amortisation of intangible assets		-
(102)	(Increase) / decrease in creditors		3,144
2,080	Increase / (decrease) in debtors		(3,353)
(108)	(Increase) / decrease in impairment for bad debt		(575)
-	Increase / (decrease) in inventories		4
(2,843)	Movement in pension liability		(4,548)
(1,863)	Carrying amount of non-current assets, assets held for sale, sold or derecognised		(2,030)
(721)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		(1,621)
(18,696)			(16,944)

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:

2018/19		2019/20
£000		£'000
(199)	Investment gains / (losses)	(1,380)
2,598	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,141
4,276	Any other items for which the cash effects are investing or financing cash flows	4,289
6,675		6,050

25. Cash Flow Statement – Investing Activities

2018/19		2019/20
£000		£000
27,683	Purchase of property, plant and equipment, investment property and intangible assets	24,133
38,052	Purchase of short-term and long-term investments	28,900
(2,598)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(3,141)
(37,050)	Proceeds from the sale of short-term and long-term investments	(28,452)
(4,456)	Other receipts from investing activities	(4,761)
21,631	Net cash flows from investing activities	16,679

26. Cash Flow Statement – Financing Activities

2018/19		2019/20
£000		£000
-	Cash receipts of short- and long-term borrowing	(12,000)
(616)	Other receipts from financing activities	2,807
16	Cash payments for the reduction of outstanding liabilities relating to finance leases	17
(600)	Net cash flows from financing activities	(9,176)

27. Reconciliation of Liabilities Arising from Financing Activities

	Non-cash changes				
	01 April 2019	Financing cash flows	Acquisition	Other non-cash changes	31 March 2020
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(136,157)	(12,000)	-	-	(148,157)
Short-term borrowings	-	-	-	-	-
Lease liabilities	(47)	17	-	-	(30)
Total liabilities from financing activities	(136,204)	(11,983)	-	-	(148,187)

NOTES TO THE ACCOUNTS

28. Members' Allowances

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

Allowances	2019/20	2018/19
	£000	£000
Basic	236	247
Special Responsibility	70	74
Chair and Vice Chair Allowances	17	17
Co-Optees	-	1
Other Allowances (Travel, Subsistence, etc.)	2	1
Total	325	340

29. 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	2019/20	138,377	27,122	165,499
	2018/19	110,175	21,594	131,769
Deputy Chief Executive	2019/20	91,473	17,929	109,402
	2018/19	89,679	17,577	107,256
Deputy Chief Executive	2019/20	93,342	18,295	111,637
	2018/19	89,679	17,577	107,256
Head of Finance	2019/20	80,647	15,807	96,454
	2018/19	79,066	15,497	94,563

NOTES TO THE ACCOUNTS

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

Remuneration Band	2019/20		2018/19	
	Number of Employees		Number of Employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	5	-	4	2
£55,000 - £59,999	2	-	1	-
£60,000 - £64,999	4	-	3	-
£65,000 - £69,999	-	-	1	-
£70,000 - £74,999	2	1	-	-

30. Termination benefits

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£0 - £20,000	1	-	3	2	4	2	21,254	12,636
£20,001 - £40,000	2	1	-	1	2	2	59,142	58,132
£40,001 - £60,000	1	1	-	-	1	1	45,855	40,672
Total	4	2	3	3	7	5	126,251	111,440

31. External Audit Costs

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

	2019/20	2018/19
	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	49	41
Additional fees payable to Grant Thornton in respect of prior year external audit services	(1)	49
Audit Fee - Objections to Accounts	-	18
Fees payable to Grant Thornton for the certification of grant claims and returns	17	31
Total	65	139

NOTES TO THE ACCOUNTS

32. Usable Reserves

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

31 March 2019		31 March 2020
£000		£000
20,813	General Fund Revenue Balance	22,774
32,295	Housing Revenue Account Balance	27,235
8,099	Major Repairs Reserve	6,500
8,509	Usable Capital Receipts Reserve	7,257
872	External Capital Grants / Contributions Unapplied	2,147
70,588	TOTAL USABLE RESERVES	65,913

NOTES TO THE ACCOUNTS

33. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20	2018/19
	£000	£000
Credited to Taxation and Non-Specific Grant Income		
New Homes Bonus	(3,359)	(2,482)
Small Business Rate Relief	(2,644)	(2,044)
Revenue Support Grant		(307)
Brexit Preparation Grant	(35)	(17)
High Street Community Clean up Grant		(25)
Parks & Open Spaces Improvement Grant		(22)
Transparency Setup Grant	(16)	-
Self & Custom Build New Burdens Grant	(15)	(30)
Council Tax Annex Discount Grant	(6)	-
Brownfields Register & PIP LA	(2)	(4)
Non Ringfenced Revenue Grants	(6,077)	(4,931)
Housing Infrastructure Fund Grant - Kenilworth School	(3,576)	
S106 Contributions	632	(536)
Community Infrastructure Levy	(1,713)	(438)
Pump Room Gardens Heritage Lottery Grant	(873)	(718)
English Sports Council Leisure Centre Grant	(60)	
Heritage Assets Donations	(56)	(34)
Friends of Pump Room Gardens Contribution	(50)	(50)
CWLEP Bowling Green Grant	(19)	
Czech Memorial Fountain Friends Contribution		(13)
Arts Grants	(6)	(6)
Capital Grants and Contributions:	(5,721)	(1,795)
Total Grants Credited to Taxation & Non Specific Grant Income	(11,798)	(6,726)
Credited to Services		
DWP grants for Housing Benefits	(25,344)	(27,716)
Disabled Facilities Grant	(881)	(915)
Housing Benefit Administration Grant	(482)	(518)
Rough Sleeping Initiative	(396)	(316)
Parliamentary Elections	(369)	(7)
Homelessness Prevention	(329)	(300)
European Elections	(256)	
Contribution towards NNDR Collection	(229)	(213)
Future Highstreet Fund Grant	(150)	
Decentralisation & Neighbourhood Planning	(50)	(100)
Police & Crime Commissioner Grant	(44)	
District Heating Network Grant	(39)	(35)
Individual Electoral Registration	(20)	
Housing Advisors Program Expansion		(14)
LGA Improvement & Development Grant		(7)
Local Land Charges	(6)	-
External Wall Systems Data Collection Grant	(6)	
LGA Cyber Training Grant	(5)	
Heritage Lottery Grant Pump Room Gardens Revenue Events	(4)	
Arts Pre Raph Grant	(4)	
Electric Cars	(3)	-
Private Sector Housing - Letting & Landlords Grants		(1)
Credited to Services	(28,617)	(30,142)
TOTAL GRANTS	(40,415)	(36,868)

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:

	2019/20	2018/19
	£'000	£'000
Conservation Grants	43	-
S106 Contributions towards social housing, sports & leisure facilities and play equipment	5,786	4,903
Capital Grants, Contributions Held in Advance	5,829	4,903

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 2020 are included within the figures shown in the Grant Income note 31.

Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner:

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in Defined Benefit Pension Schemes note 36.

Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2019/20 the precepts issued totalled £1,619,423 (2018/19 £1,522,679). The major preceptors were:

	2019/20	2018/19
	£'000	£'000
Conservation Grants	43	-
S106 Contributions towards social housing, sports & leisure facilities and play equipment	5,786	4,903
Capital Grants, Contributions Held in Advance	5,829	4,903

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.

NOTES TO THE ACCOUNTS

Council Members have direct control over the Council's financial and operating policies. Grants totalling £3,890,673 (2018/19 £390,541) were paid to voluntary organisations in which 12 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:

Major Grants Awarded	2019/20 £'000	2018/19 £'000
Kenilworth School Multi Academy Trust - Relocation	3,576	100
Norton Lynsey Village Hall	101	85
Brunswick Healthy Living Centre	100	81
Citizens' Advice Bureau	90	100
Whitnash Town Council	77	153
Shakespeare's England	75	75
Warwickshire Community and Voluntary Action (CAVA)	50	56
Coventry & Warwickshire LEP	43	36
Warwick Town Council	35	41
The GAP	32	34
Sydenham Neighbourhood Initiatives	32	29
The Chain	30	29
Community Forum Grants	21	23
Hill Close Gardens Trust	20	20
Kenilworth Lawn Tennis and Squash Club	-	33

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 - £404,668 in 2019/20 (£368,000 in 2018/19).

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.

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

NOTES TO THE ACCOUNTS

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.

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 £766,140 as at 31 March 2020.

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 2019/20 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 2019 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.

	2019/20	2018/19
	£000	£000
Opening Capital Financing Requirement	156,081	144,866
Capital Investment:		
Property, Plant and Equipment	22,806	20,216
Revenue Expenditure Funded from Capital Under Statute - Grants	5,049	663
Revenue Expenditure Funded from Capital Under Statute - Long-term loans	530	5,585
Finance Leases Principal	30	47
Sources of Finance:		
Capital Receipts	(3,641)	(1,812)
Government grants and other contributions	(5,537)	(1,322)
Major Repairs Reserve	(7,624)	(7,760)
Sums set aside from revenue	(11,041)	(4,296)
Minimum Revenue Provision	(239)	(106)
Closing Capital Financing Requirement	156,414	156,081
Explanation of movements in year		
Increase underlying need to borrow (unsupported by Government financial assistance)	333	11,215
Increase in Capital Financing Requirement	333	11,215

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:

	31 March 2020	31 March 2019
	£000	£000
Not later than one year	280	317
Later than one year and not later than five years	401	1,269
Later than five years	20	-
	701	1,586

37. Impairment/Revaluation Losses

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 2019/20 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 was carried out in Summer 2019 on Covent Garden Multi Storey Car Park, with the survey indicating that were further impairment was required.

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.

NOTES TO THE ACCOUNTS

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	2019/20 £000	2018/19 £000
<i>Cost of Services:</i>		
- Current service cost	(588)	4,435
- Past service costs	588	-
- (Gain) / loss from settlements	-	-
Financing and Investment Income and Expenditure:		
- Net interest expense	-	1,053
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	-	5,488
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)	14,714	(5,553)
- Actuarial gains and losses arising on changes in demographic assumptions	5,403	-
- Actuarial gains and losses arising on changes in financial assumptions	13,913	13,075
- Other	(7,521)	(22)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	26,509	12,988
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-	(5,488)
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
Employer's contributions payable to scheme	2,742	2,645

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:

	2019/20 £000	2018/19 £000
Present value of the defined benefit obligation	159,942	180,640
Fair value of plan assets	(119,051)	(132,174)
Net liability arising from defined benefit obligation	40,891	48,466

NOTES TO THE ACCOUNTS

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

	2019/20 £000	2018/19 £000
Opening fair value of scheme assets	132,174	124,383
Interest income	3,160	3,341
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in the net interest expense	(14,714)	5,553
The effect of changes in foreign exchange rates		
Contributions from employer	2,742	2,645
Contributions from employees into the scheme	812	749
Benefits paid	(5,123)	(4,497)
Closing fair value of scheme assets	119,051	132,174

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

	2019/20 £000	2018/19 £000
Opening balance at 1 April	180,640	162,506
Current service cost	5,503	4,435
Past service cost	588	-
Interest cost	4,359	4,394
Contributions from scheme participants	812	749
Remeasurement (gains) / losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	(5,403)	-
- Actuarial gains / losses arising from changes in financial assumptions	(13,913)	13,075
- Other experience	(7,521)	(22)
Benefits paid	(5,123)	(4,497)
Closing balance at 31 March	159,942	180,640

NOTES TO THE ACCOUNTS

Local Government Pension Scheme assets comprised:

	31 March 2020			31 March 2019		
	Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	1,661	-	1,661	1,868	-	1,868
Equity Securities (by industry type):						
- Consumer	-	-	-	6,361	-	6,361
- Manufacturing	-	-	-	2,626	-	2,626
- Energy and Utilities	-	-	-	158	-	158
- Financial Institutions	-	-	-	2,892	-	2,892
- Health and Care	-	-	-	3,136	-	3,136
- Information Technology	-	-	-	3,260	-	3,260
- Other	-	-	-	4,115	-	4,115
Sub-total equity	-	-	-	22,547	-	22,547
Debt Securities						
- Other	-	3,786	3,786	-	3,765	3,765
Sub-total debt securities	-	3,786	3,786	-	3,765	3,765
Property:						
- UK Property	11,634	-	11,634	14,428	-	14,428
- Overseas Property	10	-	10	22	-	22
Sub-total property	11,645	-	11,645	14,450	-	14,450
Private Equity:						
- All	-	5,697	5,697	-	6,728	6,728
Investment Funds and Unit Trusts:						
- Equities	68,242	-	68,242	49,796	-	49,796
- Bonds	18,292	-	18,292	21,761	-	21,761
- Hedge Funds	-	-	-	-	-	-
- Infrastructure	-	3,132	3,132	-	3,052	3,052
- Other	6,596	-	6,596	8,208	-	8,208
Sub-total Investments	93,131	3,132	96,263	79,765	3,052	82,817
TOTAL ASSETS	106,436	12,615	119,051	118,630	13,544	132,174

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 2019.

The significant assumptions used by the actuary have been:

NOTES TO THE ACCOUNTS

		2019/20		2018/19	
Long-term expected rate of return on assets in the scheme:					
	Equity investments	2.3%		2.4%	
	Bonds	2.3%		2.4%	
	Property	2.3%		2.4%	
	Cash	2.3%		2.4%	
Mortality assumptions:					
	Longevity at 65 for Current Pensioners:				
	Men	21.6	years	22.5	years
	Women	23.8	years	24.7	years
	Longevity at 65 for Future Pensioners				
	Men	22.5	years	24.3	years
	Women	25.4	years	26.7	years
Rate of inflation		2.9%		3.5%	
Rate of increase in salaries		2.7%		3.1%	
Rate of increase in pensions		1.9%		2.5%	
Rate of discounting scheme liabilities		2.3%		2.4%	

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%)	1,475	(1,475)
Rate of increase in pensions (increase or decrease by 0.5%)	12,877	(12,877)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	14,484	(14,484)

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, with the triennial valuation based as at 31 March 2019.

The Council anticipates paying £2,617,000 expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2019/20 (17.6 years 2018/19).

NOTES TO THE ACCOUNTS

39. Nature and Extent of Risks Arising from Financial Instruments

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

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

Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, 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 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 United Kingdom has now left the EU as of January 2020, with the transition period due to end in December 2020. However, there is a danger that a no deal exit 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 impact of the Coronavirus pandemic may also affect the UK's credit rating, as well as those within the Council's investment portfolio.

The credit criteria at 31 March 2020 in respect of investments held by the Council are:

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Portfolio at 31 March 2020 £000	Proportion of Portfolio at 31 March 2020
Specified instrument: (repayable within 12 months)	(FITCH or equivalent)						
UK Govt. / Local Authorities / Public Corporations / Nationalised Industries	n/a		n/a	£9m	365 days	10,000	14.0%
Bank - Private UK (includes Fixed Term Deposits, CD's and Category 1 FRN's & Bonds)	F1	A	UK Sovereign	£5m	365 days	1,000	1.4%
	F1	A+	UK Sovereign	£7m	365 days	27,500	38.4%
	F1	AA- & above	UK Sovereign	£8m	365 days	8,000	11.2%
Money Market Fund (LVNAV)	AAAm / Aaa-mf/AAAmmf		n/a	£10m	liquid	6,125	8.5%
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/ AAAV1		n/a	£6m	liquid	12,000	16.7%
Non-specified instruments							
Building Societies- assets >£500m	Unrated category C		n/a	£1m	3 months	1,000	1.4%
Corporate Equity Funds	N/A		Low Risk	£4m	10 years	6,000	8.4%
Total						71,625	100.0%

NOTES TO THE ACCOUNTS

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 2020, sundry debts outstanding stood at £2.403m of which £0.826m related to general debts and £1.577m 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 £0.046m and £0.815m have been established in respect of the general debts and Housing and Council Tax Benefit Overpayments respectively.

An analysis by age of the £2.403m less £0.861m 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 based on the 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	7,200	100.00%	7,200
Current year	818,500	4.75%	38,900
		Loss allowance	46,100

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	25.00%		
04 - 06 months	40.00%		
07 - 09 months	45.00%		
10 - 12 months	50.00%		
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	86,200	25.00%	21,600
04 - 06 months	60,400	40.00%	24,200
07 - 09 months	112,300	45.00%	50,500
10 - 12 months	128,200	50.00%	64,100
Over 1 year	1,190,000	55.00%	654,500
		Loss allowance	814,900

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 2020 using the methodology recommended by its treasury advisers in order to comply with IFRS 9.

The calculated potential impairment of £17.5k equates to 0.02% of total investments of £71.215m. This has been assessed as being immaterial and no impairment of the investments has been made.

During 2019/20, the Council made long term loans for capital expenditure amounting to £530k 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 2020, outstanding arrears in respect of Council house rents and charges stood at £2.123m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.641m 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 33 and 42 years and the average rate of the portfolio is 3.37%. 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 2019/20 outturn a 0.25% movement upwards in interest rates

would have produced an additional £0.197m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council invests in Certificates of Deposits 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 can 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 was 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, subject to its recent declaration to divest from fossil fuel investments at the earliest opportunity.

40. Contingent Assets and Liabilities

Contingent Liabilities

As at 31 March 2020 the Council identified no contingent Liabilities. However, the liability in relation to the Pension Scheme Court Ruling has now been recognised as a past service cost in the Comprehensive Income and Expenditure Statement for 2019/20.

Contingent Assets

As at 31 March 2020 the Council identified the following material contingent assets in relation to:

Leisure Centre Refurbishment - Utility Company Legal Challenge

Delayed works relating to 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

NOTES TO THE ACCOUNTS

- 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 2020, Warwick District Council held £924k 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.

2018/19		2019/20	
£000		£000	£000
	Expenditure		
5,884	Repairs and Maintenance	6,347	
6,185	Supervision and Management	7,083	
301	Rents, Rates, Taxes and Other Charges	218	
205	Increased Provision for Bad Debts	469	
7,993	Depreciation and Impairment of Non-Current Assets	5,691	
-	Debt Management Costs	-	
-	Amortisation of Intangible Assets & Revenue		
-	Expenditure Funded from Capital Under Statute		
20,568	Total Expenditure		19,808
	Income		
(25,049)	Dwelling Rents	(25,348)	
(947)	Non-Dwelling Rents	(1,014)	
(971)	Charges for Services and Facilities	(1,005)	
(636)	Contributions Towards Expenditure	(749)	
(27,603)	Total Income		(28,116)
(7,035)	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(8,308)
74	HRA services' share of Corporate and Democratic Core		74
20	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		20
(6,941)	Net Income for HRA Services		(8,214)
(659)	Gain or Loss on sale of HRA non-current assets		(1,121)
4,765	Interest payable and similar charges		4,766
144	Net interest on the net defined benefit asset or liability		153
(335)	HRA Interest and Investment Income		(490)
(232)	Capital Grants and Contributions Receivable		-
(3,258)	(Surplus) / Deficit for the year on HRA services		(4,906)

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE 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.

2018/19		Notes	2019/20	
£000			£000	£000
1,425	Balance on the HRA at the end of the previous year			1,454
3,258	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	HRA I&E	4,906	
(1,527)	Adjustments between accounting basis and funding basis under statute	Main Notes 8	(10,247)	
1,731	Net increase or (decrease) before transfers to or from reserves		(5,341)	
(1,702)	Transfers (to) or from reserves	Main Note 9	5,089	
29	Increase or (decrease) in year on the HRA			(252)
1,454	Balance on the HRA at the end of the current year			1,202

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

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

	31 March 2020	31 March 2019
	Nos.	Nos.
Houses	2,391	2,384
Flats	2,414	2,424
Bungalows	672	670
	5,477	5,478

The change in housing stock can be summarised as follows:

	2019/20	2018/19
	Nos.	Nos.
Housing Stock at 1 April	5,478	5,483
New build	25	-
Purchases		19
Reclassification from non-operational to operational stock	-	-
Conversions		1
Right to Buy sales	(26)	(25)
Housing Stock at 31 March	5,477	5,478

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:

	1 April 2020	1 April 2019
	£000	£000
Council Dwellings	402,119	387,206
Other Properties	7,721	7,688
Land	294	291
Equipment	490	552
Assets Under Construction	4,594	306
Assets Held for Sale	86	84
Total Balance Sheet Items	415,304	396,128

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 2020	31 March 2019
	£000	£000
Vacant Possession Value of Dwellings (Open Market Value)	996,127	962,429
Balance Sheet Value of Dwellings (Social Housing Value) (40% of Open Market Value)	(402,204)	(387,208)
Economic Cost to Government	593,924	575,221

4. Summary of Capital Expenditure Funding Sources

	2019/20	2018/19
	£000	£000
Government Grant	46	-
Usable Capital Receipts	3,187	610
Revenue and Other Contributions	9,325	2,716
Major Repairs Reserve	7,624	7,761
Total Capital Expenditure Funding	20,183	11,087

5. Revaluations Impairment

A full desktop valuation of the Housing Revenue Account dwellings, other properties and land was undertaken on the 28th February as a proxy for the 31st March 2019 valuation by the Council's Valuer, Carter Jonas LLP. Revaluation gains of £7,079m were credited to the Housing Revenue Account Revaluation Reserve. There were no impairment charges for the financial year.

The housing stock is valued on an "Existing Use – Social Housing" (EUV-SH) basis, derived from the Open Market Value (OMV), discounted by a Regional Adjustment Factor, which is determined by the Department for Communities and Local Government (DCLG). Currently, this is just 40% of the Open Market Value.

6. Summary of Capital Receipts

	2019/20	2018/19
	£000	£000
Sale of Council Houses	3,048	2,554
Other Non RTB Sales	138	-
Total Capital Receipts	3,185	2,554

NOTES TO THE HOUSING REVENUE ACCOUNT

7. Depreciation of Fixed Assets

	2019/20	2018/19
	£000	£000
Council Dwellings	5,374	6,046
Other Buildings	588	522
Equipment	63	48
Total Depreciation	6,025	6,616

8. Arrears and Provision for Loss Allowances

	2019/20	2018/19
	£000	£000
HRA Rent & Charges Arrears		
Current Tenant Rent Arrears	1,155	789
Former Tenant Rent Arrears	468	365
Dwelling Rent Arrears	1,623	1,154
Garage Rent Arrears	30	18
Supporting People Charge Arrears	24	28
Court Cost Arrears	157	153
Overpayment of Benefit Arrears	136	142
Other Arrears	153	123
Total Arrears	2,123	1,618
Prepayments		
Dwelling Rent Prepayments	(403)	(409)
Garage Rent Prepayments	(12)	(13)
Other Prepayments	(5)	(7)
Total Prepayments	(420)	(429)
Net Arrears	1,703	1,189
HRA Bad Debt Provisions		
Rent Bad Debt Provision	(1,430)	(1,035)
Court Cost Bad Debt Provision	(211)	(190)
Total Bad Debt Provisions	(1,641)	(1,225)

Arrears as a proportion of gross rent net of housing benefit	2019/20	2018/19
Current Tenant Rent Arrears	7.19%	5.72%
Net Arrears	9.70%	7.41%

NOTES TO THE 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.

2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
Income						
(95,062)	-	(95,062)	Council Tax Receivable	(101,891)	-	(101,891)
-	(71,516)	(71,516)	Business Rates Receivable	-	(68,792)	(68,792)
-	-	-	Transitional Protection Payments Receivable	-	(329)	(329)
(95,062)	(71,516)	(166,578)	Total Income	(101,891)	(69,121)	(171,012)
Expenditure						
Precepts and Demands:						
-	35,733	35,733	Central Government	-	33,678	33,678
72,805	7,146	79,951	Warwickshire County Council	79,576	6,736	86,312
10,890	-	10,890	The Office of the Warwickshire Police and Crime Commissioner	12,670	-	12,670
10,164	26,839	37,003	Warwick District Council	10,893	26,862	37,755
93,859	69,718	163,577		103,139	67,276	170,415
Distribution of earlier years' Collection Fund Surplus:						
-	193	193	Warwickshire County Council	1,024	362	1,386
-	964	964	Central Government	-	1,812	1,812
-	-	-	The Office of the Warwickshire Police and Crime Commissioner	153	-	153
-	2,519	2,519	Warwick District Council	143	1,530	1,673
-	3,676	3,676		1,320	3,704	5,024
Charges to the Collection Fund:						
299	370	669	Write-offs of uncollectable amounts	320	991	1,311
-	213	213	Warwick District Council: Cost of Collection Allowance	-	220	220
20	-	20	Increase / (Decrease) in Bad Debts Provision	190	220	410
-	1,492	1,492	Increase / (Decrease) in Provision for Appeals	-	2,250	2,250
-	362	362	Transitional Protection Payments payable	-	-	-
-	23	23	Renewable Energy Disregard	-	16	16
-	-	-	Interest payable	-	-	-
319	2,460	2,779		510	3,697	4,207
Movement On Fund:						
(884)	4,338	3,454	Net (Surplus) / Deficit for Year	3,078	5,556	8,634
(587)	(6,267)	(6,854)	(Surplus) / Deficit brought forward 1 April	(1,471)	(1,929)	(3,400)
(1,471)	(1,929)	(3,400)	(Surplus) / Deficit carried forward 31 March	1,607	3,627	5,234

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund is a statutory account which shows the transactions of the billing authority (Warwick District Council) in terms of Council Tax and Business Rates, and demonstrates how income from these sources is distributed to precepting bodies and the General Fund. The surplus or deficit on the Collection Fund at the 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 2019/20 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	
@	-	11	-	(1.70)	9.30	5 / 9	5.17	
A	4,855	17	263	(1,228.70)	3,906.30	6 / 9	2,604.20	
B	11,995	45	604	(2,605.20)	10,038.80	7 / 9	7,807.96	
C	17,463	12	534	(2,574.00)	15,435.00	8 / 9	13,720.00	
D	12,752	(32)	330	(1,563.70)	11,486.30	9 / 9	11,486.30	
E	7,475	(9)	361	(1,136.20)	6,690.80	11 / 9	8,177.64	
F	5,052	(6)	100	(418.70)	4,727.30	13 / 9	6,828.32	
G	4,121	(21)	35	(227.20)	3,907.80	15 / 9	6,513.00	
H	430	(17)	6	(26.20)	392.80	18 / 9	785.60	
	64,143	-	2,233	(9,781.60)	56,594.40		57,928.19	
	Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief							1,103.17
	Less Council Tax Support Scheme							(3,454.19)
	Council Tax Base 2019/20							55,577.17

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 49.1p for businesses with a rateable value of less than £51,000.
- The Non-Domestic Rate Multiplier of 50.4p for other businesses with a rateable value of £51,000 or greater.

The total rateable value of properties in the Warwick District area was £169,980,219 at 31 March 2020.

GLOSSARY

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.

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.

GLOSSARY

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.

Curtailed Costs

Curtailed 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 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.

GLOSSARY

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)

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.

GLOSSARY

Soft Loans

Loans made at less than the market rate of interest.

Specific Grants

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

Surplus

The remainder after taking away all expenses from income.

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

To follow

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

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

ANNUAL GOVERNANCE STATEMENT

WARWICK DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2019/20

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.
- 1.4 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 and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.
- 2.2 The format and scope of this Statement follows that prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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 as well as 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.

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- 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, not absolute, assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government (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. In February 2020 the Council adopted a new Business Strategy. The Strategy is based around five themes and will be used to identify and prioritise the work programme over the next three years.
- 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 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. During the course of 2019/20, a new approach to performance management oversight was in development. Additional officer resource was recruited and it is envisaged that 2020/21 will see a full roll-out of the revised approach.
- 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. 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 procedures, 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 Team² (CMT).
- 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.

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

² The Corporate Management Team comprises the Chief Executive and the two Deputy Chief Executives.

ANNUAL GOVERNANCE STATEMENT

- 3.13 The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team³, 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 Council'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.
 - 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 been in place for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. These arrangements were confirmed within the review of the Senior Management Team⁴ (SMT) during 2019.
- 3.16 For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. A thorough examination of the reasons for this was conducted by the Chief Executive. From this, a comprehensive plan of actions and initiatives was produced and monitored during the subsequent year. This was 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. This led to procedural improvements that resulted in the financial statement for 2018/19 being produced on time and with no notable issues. Measures continue to be in place to ensure the Accounts for 2019/20 and future years comply with all the legal requirements and deadlines.
- 3.17 With regard to asset management, responsibility for this comes under the post of Head of Assets. This newly-created post was part of the recent Senior Management Team Review. This follows the requirement for the organisation to enhance the way it uses its assets and is one of the key areas of the Council's Business Strategy. As with all heads of services, the Head of Assets reports to one of the Deputy Chief Executives and is a member of the Senior Management Team.
- 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 In the Council's case, this is likely to be the Corporate Management Team.

⁴ The Senior Management Team comprises heads of services together with the members of CMT.

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- 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 has embedded 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.
- 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 been operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Business 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 2019 a new Council was elected. A comprehensive training programme was delivered for all Councillors covering a range of subjects. Attendance at these was generally very good, as was feedback, and Group Leaders have been provided the attendance records to discuss within their Groups.
- 3.28 Following the Local Elections in May 2019 it was agreed by the Executive, after discussions with all Group Leaders, to review the Democratic Structure of the Council. A Governance Working Party was set up within the Council (comprising Group leaders plus an extra member from each of the Conservative, Lib Dems and Green Groups) and a series of workshops led by the Centre for Public Scrutiny (CfPS) was run. Following the third workshop, the draft notes from the meeting were passed to CfPS for them to consider. CfPS have considered these and wish to discuss the outcome with CMT before responding. After the CfPS have responded, the intention is for CMT to consider how the proposals could be supported by officers and the implications of these. This will be brought to the Working Party to take an informed view. The work on this, however, has paused at present due to responding to the Coronavirus pandemic.

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- 3.29 In addition to this, the two Scrutiny Committees at their meetings in March 2020 were due to reflect on their work since May 2019 and what changes they could make, or what training they needed to help them prepare for their work in the next 12 months. This would have included detailed scrutiny of both the Business Plan for the Council and the Climate Change Emergency Action Plan, and how this could be incorporated alongside the planned work. The Committees were also to reflect on the value of the reports from each Service Area, being mindful that from 1 April 2020 the number of service areas was increasing from seven to ten. On that basis the scrutiny committees were to consider whether the arrangements provided value for money. An alternative approach would be for the committees to take a more Strategic approach by scrutinising the Business Plan instead.
- 3.30 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. All Council meetings that are 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.
- 3.31 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 operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.32 During the year the Council introduced the position of Performance Management Officer. Part of the role will be to monitor the information published on the website to ensure it meets 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. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG).
- 3.33 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.
- 3.34 Internal Audit reviews were undertaken during 2019/20 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.

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- 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 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 2019/20 has concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances set out on "service assurance statements" from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. 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 four years ago, well within the specified period for such reviews. Some minor shortcomings were identified that 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 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.
- 4.8 Grant Thornton was appointed as the Council's External Auditor for 5 years from 2018/19 to 2022/23 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2018/19 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources.

5 THE IMPACT OF THE CORONAVIRUS PANDEMIC

- 5.1 On 23 March 2020, the Prime Minister made an unprecedented broadcast to the nation which in effect triggered a "lockdown" to limit the spread of coronavirus. An element of the lockdown instruction was that people would only be able to travel to work if it was necessary and the individual was unable to work from home. This had an immediate impact on the business of the Council; for both officers and Councillors.

ANNUAL GOVERNANCE STATEMENT

- 5.2 In order to continue the delivery of services upon which our communities rely, a roll-out plan was developed to enable as many officers as possible to work from home and, where site visits were required, clear guidance was provided to staff to enable them to continue to provide essential services in a safe way that complies with social distancing guidance. In tandem with this, arrangements were made to enable the Council's Executive, Group Leaders and most senior officers to meet 'virtually' each Monday afternoon to provide the strategic oversight and direction for the Council at this most challenging of times.
- 5.3 Arrangements were also quickly put in place to enable the Chief Executive, in consultation with the Group Leaders, to make decisions on matters deemed to be an emergency. Shortly after this, Parliament put into law the Coronavirus Act 2020 which provided authority for the Secretary of State to make Regulations enabling Council committees to meet virtually. At the time of writing, the mechanics of how the virtual meetings will operate are still being developed. During the Interim period a temporary scheme of delegation was quickly also put in place to enable decisions relating to key services to be made; this includes, for instance, planning decisions that would otherwise have been determined by planning committee.
- 5.4 Whilst the situation persists the Senior Management Team is meeting every week to oversee the Council's response and ensure services are being delivered effectively. The Portfolio Holder for Finance – one of the Councillors on the Executive – is being briefed on an almost daily basis on the financial implications.
- 5.5 The pandemic has revealed many issues the Council will need to reflect on once business returns to a steady state, however, it is already clear that the possibilities provided by new technology need to be fully harnessed to improve, among other things, work-life balance, environmental impact and mental well-being of both officers and members. There also needs to be reflection on the governance structures of the Council and it is therefore apposite that the Council is currently part way through such a review which can be restarted once the lockdown situation is eased.
- 5.6 An immediate consequence for the Council of the lockdown has been the reduction in income from sources such as parking charges, planning fees and rent and service charges. Whilst it is not the remit of this statement to go into the detail of the impact, there will be issues of financial governance to reflect upon which must cover management, monitoring, review and scrutiny.
- 5.7 The financial implications from the pandemic are still being assessed up to the time of writing. These fall broadly into the following areas:
- Additional costs relating to the crisis.
 - Reduced service income as service provision and demand has reduced.
 - Impact upon 2020/21 Budget and Medium Term Financial Strategy, and Housing Revenue Account Business Plan.
 - Impact on individual Council projects and the capacity of the Council to undertake those projects in the short and medium term.

These need to continue to be assessed by officers throughout 2020/21 and be reported to members to help to inform the decision making process.

6 SIGNIFICANT GOVERNANCE ISSUES

ANNUAL GOVERNANCE STATEMENT

- 6.1 Last year's Annual Governance Statement included just one Significant Governance Issue. This related to the Council's failure to meet the statutory deadline for publication of its financial statements for 2017/18, although the Audited Accounts for 2018/19 were agreed by the statutory deadline. The actions originating from the 2017/18 Accounts have all now been completed. The Authority continues to ensure the preparation of the Accounts is given the priority it requires across the organisation.
- 6.2 The Coronavirus pandemic has raised issues about the Council's preparedness. Although most organisations are likely to have faced major challenges in responding to the Coronavirus pandemic, that does not in any way diminish the need for the Council to learn from the experience. In addition, there are financial challenges resulting from funding pressures.
- 6.3 The Council is therefore to include within the scope of its current governance review, the learning points from Council's response to the Coronavirus pandemic. Without pre-empting the learning points, it is clear that the following actions will be required: a deployment plan that enables rapid roll-out of homeworking; the testing of such a plan on a regular basis; amendments to the Council's Consultation to ensure that Committee meetings can continue should physical meetings not be possible.
- 6.4 In relation to the financial aspects, the General Fund Balance will be reviewed to determine whether it is adequate.

7 CERTIFICATION

- 7.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

Signed:

Councillor Andrew Day
Leader of the Council

Christopher Elliott
Chief Executive

Dated:

11 June 2020

11 June 2020