STATEMENT OF ACCOUNTS 2007/08

WARWICK DISTRICT COUNCIL

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FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

The Council finished the year in a more favourable position than expected with a surplus of £1,817,000 mainly due to the LABGI (business incentive) grant. Financial management is not easy in such a situation! We also achieved higher capital receipts than expected and purchased Oakley Wood for the benefit of the local community. The Council has had yet another successful year winning two major Midlands Excellence awards, under the EFQM (European quality framework model) approach, judging us against other businesses and not just local government.

May 2007 saw the election of a new administration, with a Conservative majority that has developed a new Corporate Strategy. As a partner with the County we've developed a new Local Area Agreement with all local partners working together to improve our area for local people and businesses. In September we agreed a new structure to make us fit for the future, along with new ways of working, which we have called the Building on Excellence programme.

We've set up a unique Joint Community Partnerships Team with the County Council, and introduced neighbourhood working to help join up services of local all tiers of local councils 'on the ground'. Warwickshire Direct - Whitnash was launched in December 2007 bringing the Town, District and County Councils along with the Safer Neighbourhoods Team under one roof. We supported the businesses in Leamington in their pursuit of a BID (Business Improvement District).

We made preparations for a new waste contract which started on 1 April 2008, and has already shown significantly increased recycling, and we are confident we will significantly exceed our targets. We've worked in partnership with the County to introduce decriminalisation, which is the enforcement of parking by Councils, which was formerly done by the police.

For Environmental Health the year saw the introduction of smoke-free legislation; we also started a mobile working initiative. In Culture there has been a massive increase in gym usage and continued improvement in condition and attendances at Newbold Comyn Golf Course. We worked with peer support to review our support to rural communities and have made a good start in supporting parishes in parish planning and housing needs surveys. We've delivered 170 new affordable homes and worked on a Government project to look at better ways of financing housing in the future.

We were pleased to score a '3' for all elements of the Audit Commissions 'Use of Resources' meaning we are performing well above standard levels. We collected 98.9% of council tax, and 99.1% of business rates - record WDC performance. The website now receives over 45,000 unique visitors per month, 3 times more than 2 years ago. It's rated as a Transactional site and as one of the top district sites in the UK by the Society for IT Managers (SOCITM). New procedures were introduced for the May elections to improve and protect the security of postal votes for the 7,400 completed ballot papers received in this way.

A pilot for WiMax (wireless broadband) has been carried out in part of the District. We have several home workers using WiMax if they are in the coverage area. In addition the County Council now uses the service for some home workers. A company called Konnex are now promoting the service on a commercial basis to businesses.

In preparing for the future we have started to consider the challenges of the Regional Spatial Strategy, and the requirement to consider where additional house building will go, and the initial stages of the development of the Core Strategy that will replace the Local Plan in shaping our future planning framework. Within Leamington we've started work on proposals for the development of the Chandos Street area to maintain the viability of the town centre.

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FINANCIAL SUMMARY

1. General Fund Summary 2007/08

In February 2007 the Council approved a total net expenditure budget for 2007/08 of £16.9m (excluding Parish Precepts) and set a band D council tax for the district of £132.09. The following table shows how the net expenditure compared to the original estimates:

General Fund Net Service Expenditure	Original £'000	Actual £'000	Variation £'000
Democratic Representation and Management	1,133	1,078	(55)
Corporate Management	1,214	1,094	(120)
Central Services to the Public	1,010	1,424	414
Cultural and Related Expenses	6,334	6,596	262
Environmental Services	6,067	5,721	(346)
Planning and Development Services	2,491	4,057	1,566
Highways, Roads and Transport Services	1,116	1,028	(88)
Housing Services	1,216	1,439	223
Non Distributed Costs	332	667	335
Support Services	(13)	1	14
TOTAL GENERAL FUND NET EXPENDITURE	**20,900**	**23,105**	**2,205**
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(3,505)	(5,289)	(1,784)
- Adjust Loan Repayments, RCCO and Interest Paid	(207)	(207)	-
Net External Interest Received	(813)	(1,411)	(598)
Revenue Contributions to Capital	1,103	522	(581)
Contributions to / (from) Reserves	(933)	(590)	343
Governemnt Grants Deferred Written-Out	-	310	310
FRS17 Adjustments	-	(837)	(837)
Contributions to / (from) General Fund	400	1,000	600
NET EXPENDITURE FOR DISTRICT PURPOSES	**16,945**	**16,603**	**(342)**
Less Council Tax, General Revenue Grants and Collection Fund Deficit	(16,945)	(18,420)	(1,475)
SURPLUS FOR YEAR	**-**	**(1,817)**	**(1,817)**

- The Council has received £1.475m in respect of Local Authority Business Growth Incentives Grant (LABGI).

- Interest received is £600,000 better than estimated mainly due to higher balances invested and higher interest rates than expected.

- Several initiatives and revenue programmes that were not completed during 2006/07, amounting to £996,900, were carried forward to 2007/08 as earmarked reserves. The expenditure on these items is included within the relevant service expenditure and the financing is by way of a contribution from the earmarked reserves. This has been offset by underspendings during 2007/08 of £733,900 which have been carried forward to 2008/09 as earmarked reserves.

- A reassessment of the requirements of the Insurance Provision has resulted in a transfer back to the General Fund of £169,000.

- The Council has decided to allocate the surplus (a) £200,000 to the Early Retirement Reserve, (b) £200,000 to the Contingency Budget and (c) £1,417,000 to the General Fund balance (in addition to the £1m agreed in the revised estimates).

More detailed information on the transactions within the General Fund can be found in the Notes to the Core Financial Statements on pages 21 to 42.

2. Housing Revenue Account 2007/08

In February 2007, the Council approved a total net surplus budget on Council Housing for 2007/08 of £960,500 incorporating an estimated average rent increase of £2.97 per week, calculated using government rent restructuring guidelines. The actual average rent of £62.33 for 2007/08 was an increase of £2.94 over the average rent of £59.39 for 2006/07.

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

Housing Revenue Account	Original £'000	Actual £'000	Variation £'000
Income	(19,939)	(20,061)	(122)
Expenditure	18,111	17,492	(619)
Net Cost of HRA Services	**(1,828)**	**(2,569)**	**(741)**
FRS17 Adjustments	0	(57)	(57)
Amortised Premiums and Discounts	638	638	0
Interest and Investment Income	(497)	(782)	(285)
Contribution to / (from) Reserves	726	684	(42)
(SURPLUS) / DEFICIT FOR YEAR	**(961)**	**(2,086)**	**(1,125)**

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£19.2m), and other charges (£1.6m). See pages 43 to 50 for more details.

3. Balance Sheet

The Balance Sheet reflects assets at their current value, totalling £411m. The Council has continued to maintain its debt-free status so as to take advantage of new freedoms arising from the introduction of the Prudential Borrowing Regime and the abolition of Part 4 of the Local Government and Housing Act 1989.

During 2007/08 net current assets increased by £5.5m from £23.3m to £28.8m. The main items being an increase in creditors (-£2.3m), debtors (+£1.2m) and short term investments and loans (+£6.5m).

A total of £10.4m is held in earmarked reserves. Of this total, £3.8m is held for housing improvement, £2.2m is for future other capital investment and the remaining £4.4m is for specific revenue items. A full list of these reserves can be found on page 36.

A further £4.3m is held for future major housing repairs.

4. 4. Collection Fund

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

During 2007/08 £69.3m (£65.4m in 2006/07) of Council Tax was received. The precepts and demands on the Collection Fund were Warwickshire County Council (£53.9m), Warwick District Council (£7.8m - of which £1.0m relates to Town and Parish Council precepts) and Warwickshire Police Authority (£7.5m). After receiving payments totalling £0.409m towards deficits from previous years the Collection Fund had a deficit balance for the year of £56,000. The deficit arose mainly due to the overestimation of new developments being completed. The deficit will be recovered from the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (44.4p for 2007/08) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £53.9m of Business Rates (NNDR) was collected during 2007/08 (£52.5m in 2006/07). This money is passed to the Government which operates a National Pool whereby it redistributes the sums collected to all local authorities. This Council received a contribution of £8.7m for 2007/08 (£8.0m in 2006/07) from the National Pool. An allowance of £214,000 (£216,000 in 2006/07) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 51 to 53.

5. Capital Expenditure

Capital investment of £9.5m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£3.5 million
- e-government / ICT Strategy / Housing	£1.5 million
- Refuse Collection / Recycling	£1.2 million
- Housing Association Schemes	£0.6 million
- Private Sector Renewal and Disabled Facilities Grants	£0.4 million
- Regeneration	£0.4 million
- Corporate Properties	£0.4 million
- Car Park Enhancements	£0.3 million
- Purchase of Oakley Woods	£0.3 million
- Leisure Development	£0.2 million
- House Purchase	£0.2 million
- Conservation and Environmental	£0.2 million
- Community Safety	£0.2 million

Major fixed assets disposed of during the year were:

- Sale of Council Houses	£2.1 million
- DeMontfort Hotel Freehold	£0.5 million

For further details see Note 15 to the Core Financial Statements.

6. Treasury Management

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

The Council continued to be debt free throughout 2007/08, having repaid its remaining external long term debt in 2003/04.

During 2007/08, net capital expenditure was financed from the Council's internal resources, such as usable capital receipts, reserves and revenue (see Note 15 to the Core Financial Statements).

FINANCIAL SUMMARY

7. Euro Costs

The Council, as part of its routine Treasury Management activities, continues to review the impact of the euro on its ongoing operations. The Council has participated in a project led by HM Treasury to produce Best Practice Changeover Plans for Local Authorities. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

8. Pension Costs

Pension costs are included in the accounts to meet the requirements of FRS 17 which requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

As at 31 March 2008 this Council's pension fund liability is £24.0m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2005/06 to 2010/11 the Council's contribution rate will increase to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in note 24 to the Core Financial Statements.

9. Changes in Accounting Policies

From 1 April 2007 the Fixed Asset Restatement Account and Capital Financing Account have been replaced by a Revaluation Reserve and a Capital Adjustment Account. This change of accounting policy has required a prior year adjustment. The 2006/07 comparative figures have been adjusted accordingly.

The balance of External Contributions at the year end has previously been included in the Earmarked Reserves figure on the Balance Sheet. The SORP requires this balance to be classed as a creditor. Accordingly, the 2006/07 Creditors and Earmarked Reserves comparative figures in the Balance Sheet have been adjusted by £699,000.

At 31 March 2007 the Council had £2.084m in Deferred Premiums arising from the early repayment of debt on its Balance Sheet. The 2007 SORP does not provide for premiums to be included as a discrete item on the Balance Sheet and, accordingly, the premiums outstanding at 1 April 2007 have been transferred to the General Fund Balance and then subsequently charged to the Financial Instruments Account in order to cancel out the negative impact on the General Fund Balance.

The Council had £1.4m in accrued interest due on its investments at 31 March 2008. The 2007 SORP requires this to be added to the value of the Council's investments which is a change from the previous practice whereby the interest was included within the debtors figure on the Balance Sheet. Consequently, the investment figure of £30.738m on the Balance Sheet includes £1.4m of accrued interest as at 31 March 2008.

GUIDE TO THE FINANCIAL STATEMENTS

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

Page 7 **Statement of Accounting Policies**
This statement explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.

Page 15 **Income and Expenditure Account**
This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Page 16 **Statement of Movement on the General Fund Balance**
This statement reconciles the differences between the Income and Expenditure Account and the General Fund balance.

Page 17 **Statement of Total Recognised Gains and Losses**
This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Page 18 **Balance Sheet**
This statement shows the overall financial position of the Council as at 31 March 2008. It shows the assets and liabilities of the Council as a whole, excluding the Collection Fund.

Page 19 **Cash Flow Statement**
This statement summarises the inflows and outflows of cash arising from Council transactions with third parties for both revenue and capital purposes.

Page 43 **HRA Income and Expenditure Account**
This statement shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account.

Page 44 **Statement of Movement on the HRA Balance**
This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

Page 49 **Housing Repairs Account**
This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.

Page 50 **Major Repairs Reserve**
This statement details the income and expenditure during the year on major repairs and improvements to the Council's housing stock.

Page 51 **Collection Fund**
This statement details the transactions relating to the collection of Council Tax, National Non-Domestic Rates (NNDR) and residual Community Charge. The Council is responsible for collecting Council Tax on behalf of Warwickshire County Council, Warwickshire Police Authority and itself (which also includes the precepts of the Parish Councils). The Council is also responsible for collecting NNDR on behalf of the Government.

Page 54 **Statement of Responsibilities for the Statement of Accounts**
This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.

Page 55 **Annual Governance Statement**
This statement provides details of the measures in place to safeguard the Council's resources.

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

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract, except where amended as appropriate by statute (e.g. "soft loans").
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

STATEMENT OF ACCOUNTING POLICIES

Retirement Benefits

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

Local Government Pension Scheme

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

- The liabilities of the Warwickshire County Council Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The assets of the Warwickshire County Council Pension Scheme are included in the balance sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
  - gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
  - contributions paid to the Warwickshire County Council pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

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.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

STATEMENT OF ACCOUNTING POLICIES

Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2007* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. In 2007/08, with the exception of expenditure incurred on upgrading the Joint Contact Centre System software, Microsoft Office licences and e-consultation software for Planning, all expenditure was written out to revenue as no economic benefit beyond 1 year was obtained but this did not affect the net cost of services as ultimately the expenditure was charged to the Capital Adjustment Account.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. A de-minimis level of £20,000 has been used as the basis for inclusion as a capital asset.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2007/08 which have not been the subject of a valuation are included at historical cost.

Tangible Fixed Assets (Continued)

Non-operational assets, including investment property, have been valued at open market value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) are valued at historical cost.

The majority of values shown in the Balance Sheet for General Fund properties are based on a valuation as at 1st April 2004, updated for subsequent expenditure, sales and depreciation to provide the value at 31 March as shown in the Balance Sheet. A number of General Fund properties have been valued for the first time during 2007/08 and this is reflected in the Balance Sheet. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency.

For Housing Revenue Account properties the valuation is based upon the valuation at 1st April 2007 provided by the District Valuer. This valuation has been updated for capital expenditure and Council house sales during the year and depreciation in order to provide the value at 31st March as shown in the balance sheet.

Impairment: The Council's Fixed Assets are reviewed at the end of each financial year for evidence of reduction in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account and then written off to the Capital Adjustment Account, to neutralise any impact on the Council Tax.
- Where attributable to a decline in prices - the loss is charged against the accumulated gains in the Revaluation Reserve for that asset. If the loss is greater than the accumulated gains, the balance is debited to the Income and Expenditure Account and then reversed out to the Capital Adjustment Account.

The instances of impairment identified during 2007/08 related to housing stock revalued on disposal and demolition of various properties, such as Kenilworth Cemetery workshop stores, etc. which were demolished to provide land for a new depot and Packington Place public conveniences to allow for extension of the car park.

Disposals: when an asset is sold, the value of the asset in the balance sheet is revalued to the sale price and is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. Usable Capital Receipts at 31 March 2008 amounted to £6,096,821 including £2,628,573 capital receipts previously set aside for the repayment of debt which are now available for financing capital expenditure as a result of the Council's debt free status. Interest on usable capital receipts held during the year is credited to the General Fund.

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

Depreciation: depreciation is provided for all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over periods expected to benefit from their use.

Depreciation is calculated on the following bases:

STATEMENT OF ACCOUNTING POLICIES

Tangible Fixed Assets (Continued)

Depreciation (continued):

Asset Type	Depreciation Method	Period of Years
General Fund Buildings	Straight Line	5 to 48 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Vehicles and Plant	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	45 to 65 years
HRA Garages	Straight Line	10 years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets e.g. Environmental Health Improvement Grants. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

STATEMENT OF ACCOUNTING POLICIES

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments
- fair value through profit and loss – assets that are held for trading.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Any loans made by the Council at less than market rates are called "soft loans". When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the rate receivable from the recipient, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. It has been determined that the few "soft" loans that the Council has require no adjustment to the accounts as they are de-minimus.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on derecognition of the asset are credited / debited to the Income and Expenditure Account.

Available-for-sale Assets
Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL.

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

Fair Value through profit and loss
These instruments are recognised at fair value and relate to instruments which are acquired or incurred principally for the purpose of generating short term profits through selling in an active market. The Council's Invesco Investment Management Fund falls within this category.

Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of (a) an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974 and (b) the Invesco Fund which is recorded at current value as at the 31st March 2008.

Interest Charges

Interest is credited to the Housing Revenue Account in respect of its revenue, capital and reserve balances during the year. This is calculated using the actual external investment rate. All remaining interest income is credited to the General Fund Revenue Account.

Stocks and Work in Progress

Stocks are included in the Balance Sheet at cost. Work in progress is subject to an interim valuation at year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

STATEMENT OF ACCOUNTING POLICIES

Interest in Companies and Other Entities

The Council has no material interests in companies or other entities that have a nature of subsidiaries, associates and joint ventures and there is no requirement to prepare group accounts.

Post Balance Sheet Events

Any material post Balance Sheet events, which provide additional evidence relating to conditions existing at the Balance Sheet date or indicate that application of the going concern concept is not appropriate, have been included in the accounts.

Any material post Balance Sheet events that concern conditions that did not exist at the balance sheet date have been disclosed as a separate note to the accounts.