

WARWICK DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2012/13 and
ANNUAL GOVERNANCE STATEMENT

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FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

Financially, the Council is continuing to go through a very challenging period. The effects of the recession were evident throughout 2012/13, having impacted negatively on the local economy and communities. This has directly affected the Council, with income for some of its services, for example, car parking, and investment returns still being depressed. The recession has also increased the demand for some Council services, including housing and council tax benefit. Following on from the recession, funding from the Government, primarily by way of Revenue Support Grant, has continued to reduce, having reduced from £10.5m in 2009/10 to £7.2m in 2012/13. Further reductions are planned for subsequent years. With the effects of the recession continuing to impact upon local government, the public sector and the whole economy, it is important that the Council maintains adequate reserves.

Despite these challenges, the Council finished the year in a more favourable position than expected, having been able to allocate £0.5m more to reserves than planned for when the budget was set for the year. This reflects the many savings that were made throughout the year. The Council has been in the enviable position of not having to cut services whilst freezing its element of the council tax.

Expenditure on capital projects totalled £9.3m, £8.0m being on Housing schemes, and £1.3m on other projects. Spending on some major projects was deferred until 2013/14. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations.

At 31 March 2013 the Council held £1.5m in the General Fund Balance, £1.3m in the HRA Balance and £25.5m in earmarked reserves of which £13.0m is in respect of the Housing Revenue Account.

From 2012/13, the Housing Revenue Account (HRA) has been subject to "Self Financing" in place of the previous subsidy system. Previously, under the subsidy system, the Council had to pay up to £8m per annum to the Government by way of "negative subsidy". Along with all other local authorities in a similar position, the Council had to buy its way out of the old system with a one-off payment, this being £136.2m in our case. Under the Self Financing, the Council has substantially more freedom in how it manages its housing stock, and is planning on investing in new dwellings, something it has not been able to do for many years.

Looking forward, there continues to be concern as to how the limited public sector finances will impact upon the Council, notably with the further reductions expected in Government Grant. 2013/14 sees the introduction of two significant changes to local government finance in the form of Business Rates Retention and localising support for council tax. The impact of both of these changes will be closely monitored throughout the year.

As part of its agreed Fit For the Future programme, the Council has plans to ensure that its financial position is sustainable despite the income reduction by continuing to seek efficiencies. There are no plans to cut services. The Council is in a strong financial position thanks to its level of reserves. This is enabling it to make the savings necessary without reducing services.

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GUIDE TO THE FINANCIAL STATEMENTS

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

Page 8 **Statement of Responsibilities**

This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.

Page 9 **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Page 10 **Comprehensive Income and Expenditure Statement**

This statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Page 11 **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the authority.

Page 12 **Cash Flow Statement**

This statement shows the changes in cash and cash equivalents of the authority during the reporting period.

Page 82 **HRA Income and Expenditure Statement**

This statement shows in more detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement.

Page 83 **Movement on the Housing Revenue Account Statement**

This statement shows the movement in the year on the different reserves held for the Housing Revenue Account, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves.

Page 91 **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 92 **Housing Repairs Account**

This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.

Page 93 **Collection Fund**

This statement details the transactions relating to the collection of council tax and national non-domestic rates (NNDR). The Council acts as an agent to collect council tax on behalf of Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner and NNDR on behalf of the Government.

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

EXPLANATORY FOREWORD

1. General Fund Summary

In February 2012 the Council approved a total net expenditure budget for 2012/13 of £16.1m (excluding Parish Precepts) and set a band D council tax for the district of £146.86. The following table shows how the net expenditure compared to the original estimates:

<u>General Fund Net Service Expenditure</u>	Original £'000	Actual £'000	Variation £'000
Central Services to the Public	917	925	8
Cultural and Related Expenses	5,983	6,987	1,004
Environmental Services	5,652	5,920	268
Planning and Development Services	3,217	2,615	(602)
Highways, Roads and Transport Services	(480)	(855)	(375)
Housing Services	1,935	1,365	(570)
Corporate and Democratic Core	1,811	1,778	(33)
Non Distributed Costs	467	421	(46)
Support Services	(229)	-	229
TOTAL GENERAL FUND NET EXPENDITURE	19,273	19,156	(117)
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(3,633)	(3,316)	317
- Adjust Loan Repayments, RCCO and Interest Paid	31	33	2
Net External Interest Received	(321)	(336)	(15)
Revenue Contributions to Capital	409	509	100
Contributions to / (from) Reserves	474	(187)	(661)
IAS19 Adjustments	(102)	(289)	(187)
Accumulated Absences Account	-	37	37
Contributions to / (from) General Fund	(28)	(10)	18
NET EXPENDITURE FOR DISTRICT PURPOSES	16,103	15,597	(506)
Less Council Tax, General Revenue Grants and Collection Fund Deficit	(16,103)	(16,117)	(14)
(SURPLUS) / DEFICIT FOR YEAR	-	(520)	(520)

The main factors affecting the above table are:

- Several initiatives and revenue programmes that were not completed during 2011/12, amounting to £753,500, were carried forward to 2012/13 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 similar programme slippages during 2012/13 of £528,700 which have been carried forward to 2013/14 as earmarked reserves.

Other major items are:

- Increased Planning Fee income -£415,000;
- Various savings have been found totalling -£92,000;
- Salary vacancies and restructures saving of -£180,000;
- Increase in Provisions by +£200,000.

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2. Housing Revenue Account

In February 2012, the Council approved a total net surplus budget on Council Housing for 2012/13 of £2,552,800 incorporating an estimated average rent increase of £6.36 per week, calculated using government rent restructuring guidelines. The actual average rent of £82.15 for 2012/13 was an increase of £6.36 over the average rent of £75.79 for 2011/12.

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

<u>Housing Revenue Account</u>	Original £'000	Actual £'000	Variation £'000
Expenditure	12,048	11,262	(786)
Income	(25,665)	(25,947)	(282)
Net Cost of HRA Services	(13,617)	(14,685)	(1,068)
IAS19 Adjustments	(11)	(22)	(11)
Amortised Premiums and Discounts	297	297	-
Interest and Investment Income	(139)	(116)	23
Appropriations and Other Adjustments	13,438	14,494	1,056
(SURPLUS) / DEFICIT FOR YEAR	(32)	(32)	-

As a result of the valuation exercise carried out by the District Valuer at 31/3/2013 Impairments, totalling £1.8m which had been charged to the HRA in previous financial years were reversed out. This reflects an improvement in house prices within the economy in general during the last financial year.

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£24.5m), and other income and charges (£1.4m). See pages 82 to 92 for more details.

3. Balance Sheet

The Balance Sheet reflects the current value of the Council's Property, Plant and Equipment which together with its Heritage and Investment Properties totals £312m. The Council is no longer debt-free following the advent of the Housing self financing regime which saw the Council take on £136.2m of debt to buy itself out of the Housing Subsidy regime.

During 2012/13 net current assets increased by £4.7m from £30.9m to £35.6m. The main items being increases in cash and equivalents (+£7.8m), Assets Held For Sale (+£0.5m) and provisions (-£0.2m) less decreases in short term investments (-£4.1m), sundry creditors (+£1.0m) and sundry debtors (-£0.3m).

A total of £25.5m is held in earmarked reserves. Of this total, £12.9m is held for housing improvement, £3.9m is for future other capital investment and the remaining £8.7m is for specific revenue items. A full list of these reserves can be found in Note 8 to the Accounts.

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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 2012/13 £80.6m (£79.7m in 2011/12) of Council Tax was received. The precepts and demands on the Collection Fund were: Warwickshire County Council (£61.8m), Warwick District Council (£9.0m of which £1.2m relates to Town and Parish Council precepts) and the Office of the Warwickshire Police and Crime Commissioner (£9.7m). A surplus of £223,522 for the year reduced the opening deficit balance of £321,150 on the Fund to a closing deficit balance of £97,627. The deficit will be collected from the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (45.8p for 2012/13) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £62.6m of Business Rates (NNDR) was collected during 2012/13 (£60.7m in 2011/12). 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 £6.8m for 2012/13 (£6.0m in 2011/12) from the National Pool. An allowance of £213,400 (£214,500 in 2011/12) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 93 to 96.

5. **Capital Expenditure**

Capital investment of £9.3m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£7.2 million
- Private Sector Renewal and Disabled Facilities Grants	£0.6 million
- Leisure & Cultural Facilities	£0.5 million
- Chase Meadow Community Centre	£0.2 million

Net capital expenditure was financed from the Council's internal resources - usable capital receipts (£0.5m), reserves (£7.0m) and revenue (£1.0m) – and Government Grants and other contributions (£0.8m).

During the year the Council sold the Old Art Gallery and Museum to TAG Properties and 17 council houses were sold under the Right to Buy legislation. In addition, in accordance with the agreement that the Council has with Waterloo Housing Association to increase the amount of affordable housing within the district, Kingsway Community Centre was disposed of to the Housing Association for £275,000. This has been treated as a deferred capital receipt within the Council's accounts as payment will be received in stages commencing in 2015/16.

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.

Following the need to borrow £136m to buy itself out of the Housing Subsidy regime, the Council lost its debt free status at the end of 2011/12, a status it had held after previously repaying its remaining external long term debt in 2003/04. The loans were all taken from

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the Public Works Loans Board and were for varying maturities of between 41 and 50 years in line with the Self Financing Business Plan requirements.

7. **Pension Costs**

Pension costs are included in the accounts to meet the requirements of IAS 19 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 2013 this Council's pension fund liability is £34.8m. 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 2006/07 to 2012/13 the Council's contribution rate has increased, and will be increased in future years, to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in Note 41 in the Notes to the Accounts.

8. **Impact of Economic Climate**

The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns. GDP growth in the UK was disappointing during the year although a triple dip recession was avoided. The economy still showed little sign of the required rebalancing towards exporting and was and is still exposed to considerable pressures that could stall any economic recovery. Consumer confidence remained weak with domestic consumption hit by inflation levels in excess of salary increases. Our biggest export market, the Eurozone still remains weak and is struggling to move out of recession. However, the housing market, aided by the Governments Funding for Lending and Help to Buy schemes, has seen some improvement which has been reflected in the Council's housing stock recovering some of the value lost in previous years. Bank Rate remained at 0.50% throughout the year and CPI inflation ended the year at 2.80% with RPI at 3.30%. CPI is expected to peak at 3% during the summer before falling back to below 2% over the next two years.

The latest Bank Rate forecast from our Treasury Consultants shows that Bank Rate is unlikely to start rising from its current 0.50% until quarter 1 of 2015. The Council's projections for its investment income are based on Bank Rate beginning to rise from quarter 4 2014 and any delay to this will have a negative impact on the Council's investment returns.

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

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

Statement of Accounts Approved at Council Meeting on 26 September 2013



Chair of the Council Meeting
Councillor Richard Davies

The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Financial Officer has also:

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

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents a true and fair view of the financial position of Warwick District Council at 31 March 2013 and its income and expenditure in the year ended 31 March 2013.



17 September 2013

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MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011	1,646	12,930	9,388	1,808	2,293	2,413	766	31,244	281,569	312,813
Movement in reserves during 2011/12										
Surplus or (Deficit) on provision of services (accounting basis)	(1,698)	-	(137,481)	-	-	-	-	(139,179)	-	(139,179)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(2,770)	(2,770)
Total Comprehensive Income and Expenditure	(1,698)	-	(137,481)	-	-	-	-	(139,179)	(2,770)	(141,949)
Adjustments between accounting basis and funding basis under regulations (Note 7)	1,290	-	136,127	-	1,870	(1,403)	(21)	137,863	(137,863)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(408)	-	(1,354)	-	1,870	(1,403)	(21)	(1,316)	(140,633)	(141,949)
Transfers to / (from) Earmarked Reserves (Note 8)	308	(308)	(6,784)	6,784	-	-	-	-	-	-
Increase / (Decrease) in 2011/12	(100)	(308)	(8,138)	6,784	1,870	(1,403)	(21)	(1,316)	(140,633)	(141,949)
Balance at 31 March 2012 carried forward	1,546	12,622	1,250	8,592	4,163	1,010	745	29,928	140,936	170,864
Movement in reserves during 2012/13										
Surplus or (Deficit) on provision of services (accounting basis)	(3,036)	-	10,663	-	-	-	-	7,627	-	7,627
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	-	(4,175)	(4,175)
Total Comprehensive Income and Expenditure	(3,036)	-	10,663	-	-	-	-	7,627	(4,175)	3,452
Adjustments between accounting basis and funding basis under regulations (Note 7)	2,855	-	(6,221)	-	294	(1,010)	293	(3,789)	3,789	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(181)	-	4,442	-	294	(1,010)	293	3,838	(386)	3,452
Transfers to / (from) Earmarked Reserves (Note 8)	170	(170)	(4,409)	4,409	-	-	-	-	-	-
Increase / (Decrease) in Year	(11)	(170)	33	4,409	294	(1,010)	293	3,838	(386)	3,452
Balance at 31 March 2013 carried forward	1,535	12,452	1,283	13,001	4,457	-	1,038	33,766	140,550	174,316

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
2011/12	2011/12	2011/12			2012/13	2012/13	2012/13
£000	£000	£000			£000	£000	£000
10,593	(9,617)	976	Central Services to the Public		10,342	(9,417)	925
9,341	(3,212)	6,129	Cultural and Related Services		10,389	(3,402)	6,987
9,008	(2,972)	6,036	Environmental Services		9,000	(3,079)	5,921
5,353	(1,278)	4,075	Planning and Development Services		4,782	(2,043)	2,739
1,335	(2,731)	(1,396)	Highways, Roads and Transport Services		1,925	(2,780)	(855)
			Local Authority Housing (HRA): Settlement payment to Government for				
136,157	-	136,157	HRA self-financing		-	-	-
26,099	(24,273)	1,826	Local Authority Housing (HRA): Other		11,164	(25,947)	(14,783)
32,797	(31,919)	878	Other Housing Services		34,158	(32,793)	1,365
1,797	1	1,798	Corporate and Democratic Core		1,917	(35)	1,882
240	-	240	Non-Distributed Costs - other		421	-	421
232,720	(76,001)	156,719	Cost of Services - continuing operations		84,098	(79,496)	4,602
1,358	(570)	788	Other Operating Expenditure	9	1,851	(813)	1,038
5,639	(6,209)	(570)	Financing and Investment Income and Expenditure	10	10,219	(5,510)	4,709
-	(17,744)	(17,744)	Taxation and Non-Specific Grant Income	11	-	(17,976)	(17,976)
(14)	-	(14)	Surplus or Deficit of Transferred Operations: Concessionary Fares	30	-	-	-
		139,179	(Surplus) or Deficit on Provision of Services				(7,627)
			Other Comprehensive Income and Expenditure:				
		(3,317)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment assets				(1,506)
		(11)	Recognition in year of civic regalia				-
		-	(Surplus) or Deficit on revaluation of available for sale financial assets				-
		6,098	Actuarial (gains) / losses on pension assets / liabilities				5,681
		2,770	Other Comprehensive Income and Expenditure				4,175
		141,949	Total Comprehensive Income and Expenditure				(3,452)

BALANCE SHEET

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

31 March 2012 £000		Notes	31 March 2013 £000
	Operational Assets:		
288,180	Property, Plant and Equipment	12	293,173
8,719	Heritage Assets	14	8,801
9,221	Investment Properties	15	9,530
113	Intangible Assets	16	91
2	Long Term Investments	17	2
83	Long Term Debtors	17	294
306,318	LONG TERM ASSETS		311,891
30,219	Short Term Investments	17	26,120
150	Assets Held for Sale	18	614
56	Inventories	19	44
4,882	Short Term Debtors	20	4,611
5,288	Cash and Cash Equivalents	21	13,038
40,595	CURRENT ASSETS		44,427
(9,594)	Short Term Creditors	22	(8,574)
(98)	Provision Liabilities payable in less than 1 year	23	(273)
(9,692)	CURRENT LIABILITIES		(8,847)
(240)	Provision Liabilities payable in more than 1 year	23	(324)
(136,209)	Long Term Borrowing	17	(136,209)
(124)	Other Long Term Liabilities	17	(98)
(1,811)	Capital External Grants/Contributions in Advance	35	(1,734)
(27,973)	Net Pensions Liability	41	(34,790)
(166,357)	LONG TERM LIABILITIES		(173,155)
170,864	NET ASSETS		174,316
29,928	Usable Reserves	24	33,766
140,936	Unusable Reserves	25	140,550
170,864	TOTAL RESERVES		174,316

CASH FLOW STATEMENT

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

2011/12 £000		Notes	2012/13 £000
139,179	Net (Surplus) or deficit on the provision of services		(7,627)
(14,635)	Adjust net (surplus) or deficit on the provision of services for noncash movements	26	(3,262)
3,639	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	26	2,114
128,183	Net cash flows from Operating Activities	26	(8,775)
6,551	Investing Activities	27	1,675
(136,043)	Financing Activities	28	(650)
(1,309)	Net (increase) or decrease in cash and cash equivalents		(7,750)
(3,979)	Cash and cash equivalents at the beginning of the reporting period		(5,288)
(5,288)	Cash and cash equivalents at the end of the reporting period		(13,038)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a. **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by the International Financial Reporting Standards (IFRS).

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

b. **Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 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 fixed or determined by the contract, except where amended as appropriate by statute (e.g. "soft loans").
- Where 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. 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.

c. **Cash and Cash Equivalents**

For this Council, cash is represented by cash in hand and current account bank balances. Cash equivalents are highly liquid investments with financial institutions which are repayable on demand or within 24 hours with no or little effect on the principal element of the investment e.g. the Money Market Funds or Business Reserve type accounts held with various banks.

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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 Council's cash management.

d. Charges to Revenue for Non-current Assets

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

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

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

e. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove

NOTES TO THE ACCOUNTS

notional debits and credits for pension enhancement termination benefits and replace them with debits and credits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment 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 fund 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% based on a weighted average of “spot yields” on AA rated corporate bonds.
- 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 securities – current bid price.
- 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 Comprehensive Income and Expenditure Statement to the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains or 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 – charged to the Pensions Reserve

NOTES TO THE ACCOUNTS

- contributions paid to the Warwickshire County Council 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 the General Fund Balance to be 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 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 pensioners and any 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.

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.

f. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events 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 authorisation for issue are not reflected in the Statement of Accounts.

g. Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council’s financial performance.

h. Prior Period Adjustments, Changes in Accounting Policies 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 Council’s financial position or

NOTES TO THE ACCOUNTS

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 been applied.

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

i. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and 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 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 Comprehensive Income and Expenditure Statement is the amount payable for the year under the terms of the liability.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

The Council took out £136.157m in PWLB fixed interest rate long term loans with varying maturities of between 41 and 50 years on the 28th March 2012 in order to fulfil its obligations under the new HRA self financing regime. Although PWLB long term loans are carried in the balance sheet at amortised cost, the Council is required to disclose the fair value of these loans. This requires a calculation of the net present value of the cash flows that are scheduled to take place over the remaining life of each loan. The fair value of these loans will be different to the amortised cost if prevailing interest rates differ from those applicable to the loans when taken out.

The fair value of these PWLB loans at 31st March is £148,533,227 as the interest rates on 31st March were lower than those in force when the loans were taken out.

Financial Assets

Financial assets are classified into two 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. No such assets exist in the Balance Sheet within this category.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council 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

NOTES TO THE ACCOUNTS

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 the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any loans made by the Council at less than market rates are called "soft loans". When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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 outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest 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 amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. It has been determined that the few "soft" loans that the Council has require no adjustment to the accounts as they are de-minimis.

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 relevant service (for receivables specific to that service) or 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 present value of the revised future cash flows discounted at the asset's original effective interest rate. No such impairments were required to be made in 2012/13.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

j. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no such gains or losses at 31st March 2013.

k. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or

NOTES TO THE ACCOUNTS

contribution have been satisfied. Conditions are legally binding stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

I. Business Improvement Districts

Business Improvement District (BID) schemes are projects for the benefit of a particular area within the district that are financed by a BID levy paid by the non-domestic ratepayers, or class of such ratepayers, in the BID area. There was one BID scheme in operation during 2012/13 – in Leamington Spa – for which the Council operated as an agent. The following amounts only are recognised in the Council's service expenditure:

- The BID levies due on the Council's non-domestic properties within the BID area are recorded against the relevant service area that the property relates to;
- BID levy collection costs and associated (reimbursement) income are shown in Net Cost of Services under the relevant service in the Comprehensive Income and Expenditure Statement.

m. Heritage Assets

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).

The Council's Heritage Assets are principally held in the Council's Art Gallery and Museum. The Art Gallery and Museum has 7 (Visual Arts, Decorative Arts, Archaeology, Ethnography, Numismatics, Pictorial and Social History) collections of heritage assets which are held in support of the primary objective of the Council's Art Gallery and Museum, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's collections of heritage assets are accounted for as follows:

• Visual Arts Collection

- The Visual Arts collection includes paintings (both oil and watercolour) and sketches and is reported in the Balance Sheet at market value. The majority of the collection was last externally valued in 2008 with some assets being valued for the first time in 2012. Subsequent revaluations due at five yearly intervals.

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The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

- Acquisitions are made by purchase or donation (also covering gifts and bequests). Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuer.

• **Decorative Arts Collection**

- The decorative arts collection includes ceramics, porcelain, glass and other artefacts of a similar nature. As with the Visual Arts collection, the collection was last externally valued in 2008 with subsequent revaluations due at five yearly intervals. The assets within the Decorative Arts collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation (also covering gifts and bequests). Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuer.

• **Other Collections**

- The Art Gallery and Museum also has collections covering archaeology, Ethnography, Numismatics, Pictorial and Social History. The various artefacts within these collections, e.g. jugs, arrowheads, clothing, coins, photographs and documents are deemed to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation. In respect of these collections, acquisitions are usually made by donation, gift or bequest although some exhibits have been purchased over the years. Purchases are initially recognised at cost and then recognised at valuation with valuations provided by an external valuer. Donated, gifted and bequeathed artefacts are valued externally if the exhibit is likely to have a significant value otherwise a nominal value of £50 for each artefact is applied.

• **Abbey Fields Barn**

- Previously treated as a Community Asset at no historic cost, the Abbey Fields Barn has been reclassified to Heritage Assets and a valuation obtained from the District Valuer. In future, this asset will be included in the Council's rolling programme of asset valuations.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see notes s in this summary of significant accounting policies. There is a strong presumption against the disposal of any items in the Art Gallery and Museum collections but once a decision to dispose, either by gift, exchange, sale or in the case of badly damaged exhibits by destruction has been taken priority will be given to retaining it within the public domain. The proceeds of any items sold are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. 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 (again see notes s and v in this summary of significant accounting policies) and re-invested for the Art Gallery and Museum collections. The only disposal in 2012/13 was the transfer of a mummy case valued at £50 from the Ethnography Collection to the University of Birmingham.

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n. Intangible Assets

Expenditure above the capital de-minimis limit of £20,000 on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the Council's website is not capitalised as it is primarily intended to promote or advertise the Council's goods or services.

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

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

o. Inventories and long-term contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

p. 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, which will usually be market value i.e. the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not

NOTES TO THE ACCOUNTS

depreciated but are revalued regularly in accordance with the Council's revaluation policies and are tested annually for impairments in value. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line which is also debited with the direct operating expenditure on investment properties and this results in a net 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.

q. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Council entered into a further Finance lease for photocopiers during 2012/13. All other leases are classified as operating leases.

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the assets. The Council has one arrangement of this nature as a depot has been leased by a contractor specifically to carry out repairs contracts relating to the Council's housing stock. This "embedded lease" has been assessed as an operating lease and accounted for accordingly.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in

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accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution 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.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property– applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement of Reserves Statement.

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

NOTES TO THE ACCOUNTS

Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at commencement 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.

r. **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Accounting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

s. **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.

Recognition

In 2012/13 the Council had a de-minimis limit of £20,000 in relation to capital expenditure and expenditure above this limit on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure below the de-minimis limit or that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred.

Measurement

Assets are initially measured at cost, comprising

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation

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has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2012/13 which have not been the subject of a valuation are included at historical cost.
- Non-operational assets, including investment property, have been valued at open market value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. The adoption of FRS 30 "Heritage Assets" gave the Council the option to either continue to carry its Community Assets at historic cost or to have them valued on the same basis as Heritage Assets. The Council continues to record its Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) at historical cost.
- A number of values in the Balance Sheet for General Fund properties are based on 1 April 2010, 31st March 2011, 1st April 2011, 31st March 2012, 1st April 2012 or 31st March 2013 valuations. The rest of the values in the Balance Sheet for General Fund properties are based on either 31st March or 1st April 2009 valuations. These have been updated, where appropriate, for capital expenditure, sales, impairments and depreciation in 2012/13 to provide the value at 31st March 2013 as shown 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 (excluding some land which is valued at 1st April 2010) the valuation is based upon the valuation at 1st April 2013 provided by the District Valuer.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Also gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account and this has happened in 2012/13 in the General Fund, mainly in respect of Car Parks (£0.354m) and Riverside House (£0.103m).

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. During 2012/13, such charges were debited to the Comprehensive Income and Expenditure mainly in respect of the land elements of the Royal Pump Rooms (£0.186m) and Royal Spa Centre (£0.125m).

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

NOTES TO THE ACCOUNTS

Impairment

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

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

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

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

The Council's housing stock is valued annually on an Existing Use – Social Housing (EUV-SH) basis which is defined as the value that a property, if sold, would sell for assuming that it continued to be used for social housing purposes. It is derived from the open market value discounted down by a regional adjustment factor, defined by DCLG, which for the West Midlands is 34% i.e. the EUV-SH value is 34% of the open market value. The adjustment factor reflects the fact that sitting tenants enjoy rents lower than open market rents and tenants' rights including Right to Buy. The annual revaluation carried out by the District Valuer identified an impairment of £0.133m in respect of the buildings element of the Housing Stock which was charged to the Housing Revenue Account. This was offset by an increase of £1.8m in the value of the land element of the Housing Stock which was credited to the Housing Revenue Account. However, such revaluation changes are not to impact on the "bottom line" of the HRA and have been reversed out and debited to the Capital Adjustments Account.

Due to the economic climate an impairment review of certain General Fund assets was carried out by the District Valuer at the end of 2012/13 and minor impairments in respect of Abbey Fields Leisure Centre and the Old School House in Court Street, Leamington Spa were identified and a total of £14k debited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An internal review of equipment assets identified £61k of equipment which was obsolete or no longer in existence and this was debited to the relevant service account and then reversed out to the Capital Adjustments Account so that there was no impact on the Council's finances.

Depreciation

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

Depreciation is calculated on the following bases:

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Asset Type	Depreciation Method	Period of Years
General Fund Buildings	Straight Line	4 to 60 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Heritage Assets – Buildings	Straight Line	Up to 90 years
Surplus Assets	Straight Line	3 to 23 years
Vehicles, Plant, Furniture and Equipment	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	27 to 60 years
HRA Garages	Straight Line	5 years

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

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

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

In respect of the General Fund assets, those revalued at 1st April 2012 with Current Net Book Values of £500,000 or above, the Royal Pump Rooms and Royal Spa Centre, have been assessed based on information supplied by the District Valuer and it has been found that the depreciation calculated for the individual components, essentially structure, roof, fittings & furnishings, mechanical and electrical plant and equipment, external works and land is not materially different to that charged for the asset as a whole and therefore depreciation of the separate components is not required.

The Council revalues its General Fund assets on a one-fifth annual rolling basis and as each fifth comes up for valuation each asset within that tranche where the Current Net Book Value is £500,000 or greater will be assessed for component depreciation and if there is a material increase in depreciation when compared with depreciation charged on the whole asset then that asset will be accounted for and depreciated based on its separate components.

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

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 based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

NOTES TO THE ACCOUNTS

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value i.e. market value less costs to sell. 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 Provision of Services. Depreciation is not charged on Assets Held for Sale. At the end of 2012/13, it was expected that two properties, 21 Church Street Warwick and 10/14 Chapel Street Warwick would be sold in 2013/14. However, it should be noted that both properties are Investment Properties and as such the code does not permit their transfer to Assets Held for Sale and they continue to be accounted for as Investment Property within the balance sheet until the actual date of their disposal. In respect of the HRA, those council house in the process of being sold at 31st March 2013 have been transferred to the HRA Assets Held For sale account. As a result of the revaluation carried out on their reclassification, a revaluation gain of £173,000 has been credited to the HRA and then reversed out to the Capital Adjustments Account to ensure that there is no impact on the HRA.

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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 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 is allowed to reduce the initial receipt by its transaction costs, a contribution towards the debt attributable to the property sold, an element which can be used to finance capital expenditure for any purpose including the repayment of debt and finally by an element which has to be reserved for Housing new build only. The subsequent balance is then paid over to the 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. Usable Capital Receipts at 31 March 2013 amounted to £4,457,300. 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 non-current assets is fully provided for under separate arrangements for capital

NOTES TO THE ACCOUNTS

financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

t. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

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 where it is probable that there will be an inflow of economic benefits or service potential.

u. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the

NOTES TO THE ACCOUNTS

Comprehensive Income and Expenditure Statement. The relevant amount from the reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

v. 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. Environmental Health Improvement 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.

w. Value Added Tax

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

x. Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974.

y. 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.

aa. Agency Income and Expenditure

Expenditure and income relating to agency services is not included in the Comprehensive Income and Expenditure Statement since it is not incurred as part of the Council's normal responsibilities. Information in respect of agency work is disclosed as a note to the accounts.

The collection of council tax and NNDR is treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances of arrears, prepayments and bad debt provisions are apportioned out and only the Council's share is included in the Balance Sheet.

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

For 2012/13 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 1 *Presentation of Financial Statements* (other comprehensive income, June 2011)

NOTES TO THE ACCOUNTS

- Amendments to IFRS 7 *Financial Instruments: Disclosures (offsetting financial assets and liabilities*, December 2011)
- Amendments to IAS 12 *Income Taxes* (deferred tax: recovery of underlying assets, December 2010)
- Amendments to IAS 19 *Employee Benefits* (June 2011)
The key change relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss. However, from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). There is no impact of this change on the accounts covering the 2012/13 financial year. The changes will be implemented in the 2013/14 financial year, so the projected 2013/14 pension expense will include this change.

The changes to IAS19 will be retrospectively applied for the 2012/13 financial year, at the time the 2013/14 accounts are prepared. This is in accordance with IAS8. Essentially, this means that the 2012/13 income statement disclosed in the 2013/14 accounts will be rebased onto the IAS19 (Revised) reporting basis. The effect of the change to IAS19 on the income statement to 31 March 2013 will be an increase of £525,000.
- IFRS 13 *Fair Value Measurement* (May 2011).

3. Critical Judgements in Applying Accounting Policies

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

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

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 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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

NOTES TO THE ACCOUNTS

	<p>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>	<p>It is estimated that the annual depreciation charge for buildings would increase by £342k 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 claims from the public and HRA tenants. The extent of the provisions relates to the excess on existing claims as at 31 March 2013 where such excesses have been negotiated when agreeing premiums. A new provision has also been established to cover the possible refund of personal search fees in respect of local land charges.</p>	<p>An increase over the forthcoming year of 10% in settlements would have the effect of adding £7,300 to the provision needed.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The Pensions actuary will set the employer's pension contribution rates to ensure that pension liabilities are met.</p>
Arrears	<p>At 31 March 2013, the Council had a balance of arrears of Housing Rents, Council Tax and other sundry debtors for £3.46m. A review of the above suggested that an impairment of doubtful debts of 54.62% (£1.89m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.89m to be set aside as an allowance.</p>

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

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5. **Material Items of Income and Expense**

There are no material items of income and expense that are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

6. **Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Finance on 27 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. **Adjustments Between Accounting Basis and Funding Basis Under Regulations**

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

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

General Fund Balance

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

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve. Each year an amount equivalent to the depreciation charge on HRA assets is transferred into this reserve along with an adjustment to make the overall transfer in equal to the amount of Major Repairs Allowance set out in annual subsidy determinations until 2012/13 or the Self Financing determination from 2013/14. This reserve can be used to fund capital expenditure to help maintain or improve HRA assets, or repay HRA debt. Any balance on this account shows the amount not applied by year end that is available for future years.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital

NOTES TO THE ACCOUNTS

expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

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

2012/13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(2,286)	-		(2,550)		4,836
Revaluation losses on Property Plant and Equipment	-	1,668				(1,668)
Movements in the market value of Investment Properties	309	-				(309)
Amortisation of intangible assets	(61)	-				61
Capital grants and contributions applied	761	-				(761)
Movement in revaluation and new Donated Assets	32					(32)
Revenue expenditure funded from capital under statute	(941)	(95)				1,036
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	(155)	(587)				742
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Capital expenditure charged against General Fund and HRA balances	631	879				(1,510)
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	401	-			(401)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-			108	(108)

NOTES TO THE ACCOUNTS

2012/13

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	179	1,271	(1,450)			-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	476			(476)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(680)	-	680			
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(51)					51
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	2,869		(2,869)		
Use of the Major Repairs Reserve to finance new capital expenditure	-	-		6,429		(6,429)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	297				(297)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(2,753)	(281)				3,034
Employer's pensions contributions and direct payments to pensioners payable in the year	1,697	201				(1,898)

NOTES TO THE ACCOUNTS

2012/13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	25	-				(25)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	37	(1)				(36)
Total Adjustments	(2,855)	6,221	(294)	1,010	(293)	(3,789)

NOTES TO THE ACCOUNTS

2011/12

	Usable Reserves						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000	
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(1,899)	-		(2,537)			4,436
Revaluation losses on Property Plant and Equipment	-	(5,141)					5,141
Movements in the market value of Investment Properties	264	-					(264)
Amortisation of intangible assets	(69)	-					69
Capital grants and contributions applied	638	-			21		(659)
Movement in the Donated Assets Reserve							-
Revenue expenditure funded from capital under statute	(778)	(90)					868
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	(2,314)	(321)					2,635
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
HRA Self Financing Payment to Government	-	(136,157)					136,157
Capital expenditure charged against General Fund and HRA balances	1,125	3,263					(4,388)
Adjustment primarily involving the Capital Grants Unapplied Account:							
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-					-
Application of grants to capital financing transferred to the Capital Adjustment Account	98	-					(98)

NOTES TO THE ACCOUNTS

2011/12

	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000		
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	2,434	825	(3,259)				-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	1,148				(1,148)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			-				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(241)	-	241				
Transfer from Deferred Capital Receipts Reserve upon receipt of cash							-
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement							-
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA	-	1,234		(1,234)			
Use of the Major Repairs Reserve to finance new capital expenditure	-	-		5,174			(5,174)
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	297					(297)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	(2,250)	(237)					2,487
Employer's pensions contributions and direct payments to pensioners payable in the year	1,731	199					(1,930)

NOTES TO THE ACCOUNTS

2011/12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipt Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(38)	-				38
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	1				(10)
Total Adjustments	(1,290)	(136,127)	(1,870)	1,403	21	137,863

NOTES TO THE ACCOUNTS

8. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
General Fund:							
Capital Investment	3,678	(529)	665	3,814	(141)	117	3,790
Corporate Property Programme Reserve	167	(170)	3	-	-	-	-
Gym Equipment Replacement Reserve	94	(64)	33	63	-	30	93
Art Fund Reserve	44	-	3	47	-	6	53
Art Gallery Gift Reserve	56	-	1	57	-	-	57
Assembly Rooms Rep. and Renew. Res	8	(8)	-	-	-	-	-
Building Control Reserve	126	-	51	177	-	76	253
Car Parks Repairs & Maintenance Reserve	125	-	52	177	(1)	-	176
Culture Facility Reserve	-	-	-	-	-	300	300
Earmarked Balances Reserve	1,340	(1,340)	754	754	(754)	529	529
Election Expenses	83	(80)	2	5	-	30	35
Energy Management	95	-	9	104	-	8	112
Equipment Renewals Reserve	1,842	(521)	314	1,635	(285)	-	1,350
G M Commuted Sums	483	(69)	10	424	(67)	-	357
GF Early Retirements Reserve	276	(129)	146	293	(277)	-	16
Insurance Reserve	361	-	7	368	-	-	368
Planning Appeal Reserve	727	(77)	10	660	(87)	-	573
Play Equipment Reserve	200	-	280	480	(480)	-	-
Public Amenity Reserve	-	-	-	-	(83)	477	394
Public Open Space Planning Gain Reserve	28	-	4	32	(2)	39	69
Rent Bond Scheme Reserve	-	-	-	-	-	22	22
Revenue Grants / Contributions Received in Advance	863	(149)	28	742	(1)	199	940
Right to Bid Reserve	-	-	-	-	-	5	5
Right to Challenge Reserve	-	-	-	-	-	8	8
Services Transformation Reserve	1,475	-	375	1,850	(17)	924	2,757
St Marys Lands/Forbes Estate Community	-	-	120	120	(16)	-	104
Spend To Save Reserve	804	(88)	13	729	(729)	-	-
Tourism Reserve	55	-	36	91	-	-	91
TOTAL GENERAL FUND	12,930	(3,224)	2,916	12,622	(2,940)	2,770	12,452
HRA:							
Housing Repairs Account	1,734	(9,408)	7,674	-	-	-	-
HRA Capital Investment Reserve	-	-	8,508	8,508	(30)	4,435	12,913
HRA Early Retirements Reserve	64	-	10	74	(76)	80	78
HRA Rev Grants/Contribs In Advance Res	10	-	-	10	-	-	10
TOTAL HRA	1,808	(9,408)	16,192	8,592	(106)	4,515	13,001
TOTAL EARMARKED RESERVES	14,738	(12,632)	19,108	21,214	(3,046)	7,285	25,453

NOTES TO THE ACCOUNTS

9. Other Operating Expenditure

Gross Expenditure 2011/12 £000	Gross Income 2011/12 £000	Net Expenditure 2011/12 £000		Gross Expenditure 2012/13 £000	Gross Income 2012/13 £000	Net Expenditure 2012/13 £000
1,117	-	1,117	Parish Council Precepts	1,171	-	1,171
241	-	241	Payments to Govt. Housing Capital Receipts Pool	680	-	680
-	(570)	(570)	Gain or loss on the disposal of non-current assets	-	(813)	(813)
1,358	(570)	788	Total	1,851	(813)	1,038

10. Financing and Investment Income and Expenditure

Gross Expenditure 2011/12 £000	Gross Income 2011/12 £000	Net Expenditure 2011/12 £000		Gross Expenditure 2012/13 £000	Gross Income 2012/13 £000	Net Expenditure 2012/13 £000
57	-	57	Interest Payable and similar charges	4,769	-	4,769
-	(557)	(557)	Interest receivable and similar income	-	(452)	(452)
328	(867)	(539)	Income and expenditure in relation to investment properties and changes in their fair value	500	(933)	(433)
5,254	-	5,254	Pensions Interest Cost	4,950	-	4,950
-	(4,785)	(4,785)	Expected Return on Pensions Assets	-	(4,125)	(4,125)
5,639	(6,209)	(570)	Total	10,219	(5,510)	4,709

11. Taxation and Non Specific Grant Incomes

Gross Expenditure 2011/12 £000	Gross Income 2011/12 £000	Net Expenditure 2011/12 £000		Gross Expenditure 2012/13 £000	Gross Income 2012/13 £000	Net Expenditure 2012/13 £000
-	(8,900)	(8,900)	Council Tax income	-	(9,019)	(9,019)
-	(2,424)	(2,424)	Non-ringfenced Government Grants	-	(1,445)	(1,445)
-	(5,986)	(5,986)	Non-Domestic Rates Distribution	-	(6,848)	(6,848)
-	(434)	(434)	Capital Grants and Contributions	-	(664)	(664)
-	(17,744)	(17,744)	Total	-	(17,976)	(17,976)

NOTES TO THE ACCOUNTS

12. Property, Plant and Equipment

Movements on Balances

Movements in 2012/13

	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 2012	223,419	55,138	6,609	1,016	6,818	547	5	293,552
Additions	7,171	330	443	-	12	-	257	8,213
Revaluation increases / (decreases) recognised in the Revaluation Reserve	23	(484)	-	-	-	(27)	-	(488)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(412)	(27)	-	-	-	(5)	-	(444)
Derecognition - disposals	(759)	(275)	(5)	-	-	-	-	(1,039)
Assets reclassified (to) / from Held for Sale	(441)	-	-	-	-	-	-	(441)
At 31 March 2013	229,001	54,682	7,047	1,016	6,830	515	262	299,353
Accumulated Depreciation and Impairment								
At 1 April 2012	-	(1,028)	(3,830)	(110)	(196)	(208)	-	(5,372)
Depreciation charge for 2012/13	(2,079)	(2,147)	(636)	(27)	(48)	(14)	-	(4,951)
Depreciation written out to the Revaluation Reserve	-	1,936	-	-	-	7	-	1,943
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,079	182	-	-	-	-	-	2,261
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	(61)	-	-	-	-	(61)
At 31 March 2013	-	(1,057)	(4,527)	(137)	(244)	(215)	-	(6,180)
Net Book Value								
31 March 2013	229,001	53,625	2,520	879	6,586	300	262	293,173
31 March 2012	223,419	54,110	2,779	906	6,622	339	5	288,180

NOTES TO THE ACCOUNTS

Movements on Balances

Movements in 2011/12

	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 2011	222,291	52,397	6,117	886	6,711	767	20	289,189
Additions	8,428	1,567	492	130	93	-	-	10,710
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	1,203	-	-	14	(44)	-	1,173
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(7,179)	167	-	-	-	(26)	-	(7,038)
Derecognition - disposals	(121)	(200)	-	-	-	-	-	(321)
Derecognition - other	-	-	-	-	-	-	(11)	(11)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	(150)	-	(150)
Other movements in cost or valuation	-	4	-	-	-	-	(4)	-
At 31 March 2012	223,419	55,138	6,609	1,016	6,818	547	5	293,552
Accumulated Depreciation and Impairment								
At 1 April 2011	-	(1,187)	(3,047)	(87)	(151)	(236)	-	(4,708)
Depreciation charge for 2011/12	(2,038)	(1,951)	(744)	(23)	(45)	(27)	-	(4,828)
Depreciation written out to the Revaluation Reserve	-	1,837	-	-	-	55	-	1,892
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,038	273	-	-	-	-	-	2,311
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	(39)	-	-	-	-	(39)
At 31 March 2012	-	(1,028)	(3,830)	(110)	(196)	(208)	-	(5,372)
Net Book Value								
31 March 2012	223,419	54,110	2,779	906	6,622	339	5	288,180
31 March 2011	222,291	51,210	3,070	799	6,560	531	20	284,481

NOTES TO THE ACCOUNTS

The Vehicles, Plant & Equipment Net Book Value at 31st March 2013 is split between owned assets of £2,428k and £92k Finance leased assets relating to photocopiers.

Depreciation

The following useful lives and depreciation rates have been used in calculation of depreciation:

- Council dwellings: 90 years
- Other Land and Buildings: 4 – 60 years
- Vehicles, Plant, Furniture and Equipment: 3 – 21 years
- Infrastructure: 40 years
- Community Assets up to 50 years
- Surplus Assets 3 – 23 years
- Heritage Assets Buildings 90 years

Capital Commitments and Planned Works

At 31 March 2013, the Council has entered into a number of contracts for construction or enhancement of Property, Plant and Equipment in 2013/14 and future years and further planned works budgeted to cost £20.9m. Similar commitments at 31 March 2012 were £13.4m. The major commitments are:

	£000
General Fund:	
Chase Meadow Community Centre	1,122
Crematorium Improvements	982
Cubbington Flood Alleviation Partnership	834
Jubilee House Phase 2	364
Leamington Spa One Stop Shop	296
Urban and Rural Initiative Grants	270
Victoria Park Bowling Green and Ancillaries	198
Housing Investment Programme:	
Housing New Build	6,900
Council House Improvements / Renewal	4,926
Registered Providers' Housing Schemes	1,905
Asbestos Survey	690
Improvement Schemes (Environmental Health)	682

Revaluations

The values of the Council Dwellings and Other HRA Property (shops, offices, community centres, garages, surgery and hostel) are based on valuations at 1 April 2013. In the case of land (excluding the land element of the Council Dwellings and Other HRA Property) the valuation date is 1st April 2010. The Council Dwellings and Other HRA Property in the Housing Revenue Account are subject to an annual "desktop" review with a full revaluation once every five years, the last one of which was carried out for the 1 April 2010 valuation. The 2013 valuation was undertaken by Mr. P.D. Chapman MRICS, a senior surveyor within the Valuation Office Agency. During 2012/13 a further one fifth of the General Fund Property Assets was valued as at 1st April 2012 in what was the third year of a five year rolling programme which will provide more up to date Balance Sheet values than would occur with a wholesale revaluation once every five years. The valuations were undertaken by Mr. P.D. Chapman MRICS for the District Valuer.

The values at 31st March 2013 also take account of any depreciation, impairments and in year capital expenditure which has occurred since the last valuation took place for that specific asset.

Due to the continuing poor economic conditions prevailing in 2012/13, the District Valuer (Mr. P.D. Chapman and others) has also undertaken an impairment review on the

NOTES TO THE ACCOUNTS

Council's General Fund Property Assets and this information has been used in providing the 31st March 2013 values.

Operational Property Assets, excluding Community Assets, Infrastructure Assets and Equipment are valued at open market value for existing use or depreciated replacement cost based on modern equivalent assets (MEA). Community and Infrastructure Assets are valued at historical cost as are Equipment Assets due to the nature of their short lives. Non Operational Property Assets and Investment Properties are valued at open market value.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, etc. £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	289	2,428	879	6,586	-	262	10,444
Valued at fair value as at:								
- 2012/13	229,001	38,084	-	-	-	106	-	267,191
- 2011/12	-	7,546	-	-	-	124	-	7,670
- 2010/11	-	6,541	-	-	-	-	-	6,541
- 2009/10	-	977	-	-	-	70	-	1,047
- 2008/09	-	188	-	-	-	-	-	188
Total Cost or Valuation	229,001	53,625	2,428	879	6,586	300	262	293,081

It should be noted that the total figure in the above table does not reconcile with the Property, Plant and Equipment total recorded in the Balance Sheet by £92,000. This difference relates to the balance outstanding at 31 March 2013 on the Photocopiers Finance lease (see note 38) which is not included in the table above.

13. Community Assets

The Council's Community Assets (Jephson Gardens, St Mary's Lands, Victoria Park etc.) are currently held in the balance sheet on a historic cost basis. The adoption by the Code of FRS 30 as outlined in Note 1 adds the option for the Council to change from a historic cost basis to a valuation basis as described in Note 1. The Council has decided to continue reporting Community Assets on a historical cost basis.

NOTES TO THE ACCOUNTS

14. Heritage Assets

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

	Decorative Arts Collection £000	Visual Arts Collection £000	Other £000	Total Assets £000
Cost or Valuation				
1 April 2011	355	7,558	554	8,467
Revaluations	-	-	252	252
31 March 2012	355	7,558	806	8,719
Cost or Valuation				
1 April 2012	355	7,558	806	8,719
Additions	-	53	7	60
Revaluations	1	23	-	24
Depreciation	-	-	(2)	(2)
31 March 2013	356	7,634	811	8,801

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) are included in the balance sheet at market value based upon insurance valuations done in 2008. As the policy is to revalue the collections every 5 years, a revaluation of these assets is due in the near future. During 2012/13 further valuations took place in which certain assets previously not assigned a value were valued in total at £23,900. New assets valued at £53,210 were acquired either by purchase or by donation in 2012/13. No assets were found to be impaired.

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 have been valued externally but the vast majority have been given nominal values of £50 each by the Art Gallery and Museum staff. In the case of the Pictorial and Social History collections, new assets valued at £7,210 were acquired either by purchase or by donation (including transfers from other institutions) in 2012/13. One artefact, a mummy case valued at £50, was transferred to the University of Birmingham in 2012/13.

The Abbey Fields Barn was valued by the District Valuer in 2011/12 at £252,000 on a depreciated replacement cost basis and depreciation has been applied to this asset from 2012/13 based on the remaining life in years determined by the District Valuer.

NOTES TO THE ACCOUNTS

Heritage Assets: Five-Year Summary of Transactions

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Cost of Additions of Heritage Assets:					
Purchases:					
Decorative Arts	-	-	-	-	-
Visual Arts	-	-	-	-	27
Social History	-	-	-	-	1
Donations:					
Decorative Arts	-	-	-	-	1
Visual Arts	-	-	-	-	26
Social History	-	-	-	-	5
Total cost of Additions	-	-	-	-	60
Revaluation of Heritage Assets:					
Decorative Arts	-	-	-	-	-
Visual Arts	-	-	-	-	24
Total Revaluations	-	-	-	-	24

Heritage Assets: Further Information on The Art Gallery and Museum's Collection

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

Heritage Assets of Particular Importance

In the Art Collection there are 3 significant exhibits of donated assets. The first is a painting by P. Champaigne "St Peters Penitence" which is valued at £500,000, the second is a painting "The Prodigal Son" by Abraham Bloemaert which is valued at £250,000 and the third is a painting by L.S. Lowry "The Mission Room" which is valued at £235,000. In addition, there are 5 other donated paintings worth £100,000 or more. In all cases, these donated assets have no conditions outstanding. Indeed, it is a condition of accepting donated assets that there are no conditions attached to the offer. Amongst the purchased exhibits there is one painting "Self Portrait By Candlelight" by Schalcken worth £250,000. Again, full details of these exhibits can be found by visiting the website referred to in the paragraph above.

Preservation and Management

The Art Gallery and Museum has recently revised its various policies covering Collections Access, Collections Care and Conservation, Collections Documentation and Collection Development and full details of these policies can be obtained by contacting the Art Gallery & Museum at prooms@warwickdc.gov.uk.

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:

	2012/13 £000	2011/12 £000
Rental income from investment property	624	603
Direct operating expenses arising from investment property	(500)	(328)
Net gain / (loss)	124	275

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2012/13 £000	2011/12 £000
Balance at start of the year	9,221	10,388
Disposals	-	(1,431)
Net gains / losses from fair value adjustments	309	264
Balance at end of year	9,530	9,221

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. These properties generated rental income of £312,000 in 2012/13. Details of these properties are disclosed in Note 38 Leases.

16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences and software.

Wherever appropriate, software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The remaining useful lives at 31st March 2013 assigned to the major software suites and licences used by the Council are:

0 years	Financial Management System	Amount Amortised	£9,400
2 years	VDI Project Software	Amount Amortised	£5,771
2 years	Infrastructure Replacement Software	Amount Amortised	£7,153
4 years	e-Consultation Software	Amount Amortised	£1,244
0.25 years	Oracle DB Enterprise Software	Amount Amortised	£14,495

The carrying amount of intangible assets is amortised on a straight-line basis but where the intangible asset has an indefinite life then the value of that asset is left on the balance sheet and not amortised to revenue. During 2012/13 no expenditure was incurred on intangible assets with an indefinite life but the Intangible Assets in the balance brought forward from 2011/12 includes the new Committee System, the IDOX Public Access

NOTES TO THE ACCOUNTS

module for the Planning System and a Process Management module for the Active H Housing Management system, all of whom have no finite lives. Although not amortised to revenue, they are however subject to an annual impairment review which could result in charges being made to revenue should any of them be no longer performing at its previous level. For instance if the Process Management module was made redundant by being replaced by a more up to date version then any costs relating to it still remaining in the balance sheet would have to be written off to revenue and then reversed out to the Capital Adjustments Account so that there is no detrimental impact on the council's finances. Such a review took place at the end of 2012/13 and no impairments were found.

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

	2012/13			2011/12		
	General Fund £000	HRA £000	Total £000	General Fund £000	HRA £000	Total £000
Balance at start of year:			-			-
- Gross carrying amount	826	23	849	797	23	820
- Accumulated amortisation	(736)	-	(736)	(667)	-	(667)
Net carrying amount at start of year	90	23	113	130	23	153
Additions:						
- Purchases	39	-	39	29	-	29
Amortisation for the period	(61)	-	(61)	(69)	-	(69)
Net carrying amount at end of year	68	23	91	90	23	113
Comprising:						
- Gross carrying amount	865	23	888	826	23	849
- Accumulated amortisation	(797)	-	(797)	(736)	-	(736)
	68	23	91	90	23	113

The Intangible Assets balance at 31 March includes expenditure relating to the Warwickshire On Line Partnership (original cost £92,000 of which £22,902 remains) transferred to the Council from North Warwickshire Borough Council as its share of the overall cost of setting up the On Line Partnership. This expenditure was originally financed by Government Grant under the Implementing Electronic Government initiative. However, the Council does not revalue this software as no comparable licences are currently commercially available for purchase.

NOTES TO THE ACCOUNTS

17. Financial Instruments

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

	Long Term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Investments:				
Loans and receivables	2	2	39,151	35,504
Total Investments	2	2	39,151	35,504
Debtors:				
Loans and receivables	294	83	5,867	5,702
Total Debtors	294	83	5,867	5,702
Borrowings:				
Financial Liabilities at amortised cost	(136,220)	(136,245)	(81)	(80)
Total Borrowings	(136,220)	(136,245)	(81)	(80)
Creditors:				
Financial Liabilities at amortised cost	-	-	(11,876)	(12,255)
Total Creditors	-	-	(11,876)	(12,255)

Income, Expense, Gains and Losses

	2012/13			2011/12		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(56)	-	(56)	(57)	-	(57)
Total expense in Surplus or Deficit on the Provision of Services	(56)	-	(56)	(57)	-	(57)
Interest income	-	451	451	-	556	556
Total income in Surplus or Deficit on the Provision of Services	-	451	451	-	556	556
Net gain / (loss) for the year	(56)	451	395	(57)	556	499

NOTES TO THE ACCOUNTS

Fair Values of Assets and Liabilities

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

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

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

18. Assets Held for Sale

	Current	
	2012/13	2011/12
	£000	£000
Balance outstanding at start of year	150	884
Assets newly classified as held for sale:		
- Property, Plant and Equipment	441	150
Revaluation gains	173	-
Assets sold	(150)	(884)
Balance outstanding at year-end	614	150

19. Inventories

	Consumable Stores	
	2012/13	2011/12
	£000	£000
Balance outstanding at start of year	56	56
Purchases	111	123
Recognised as an expense in the year	(123)	(123)
Balance outstanding at year-end	44	56

NOTES TO THE ACCOUNTS

20. Debtors

	31 March 2013 £000	31 March 2012 £000
Debtors:		
Central Government Bodies	731	418
Other Local Authorities	2,306	1,650
NHS Bodies	-	1
Other Entities and Individuals	3,460	4,438
	<hr/>	<hr/>
TOTAL DEBTORS	6,497	6,507
Bad Debt Provisions:		
Council Tax Payers	(57)	(57)
Housing Tenants	(1,096)	(1,004)
Housing Benefits - Rent Allowances	(570)	(420)
Other Debtors	(163)	(144)
	<hr/>	<hr/>
TOTAL BAD DEBT PROVISIONS	(1,886)	(1,625)
NET SHORT TERM DEBTORS	<hr/> 4,611 <hr/>	<hr/> 4,882 <hr/>

21. Cash and Cash Equivalents

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

	31 March 2013 £000	31 March 2012 £000
Cash held by the Council	6	4
Bank current accounts	446	596
Short term deposits with Money Market Funds	12,586	4,688
	<hr/>	<hr/>
Total Cash and Cash Equivalents	13,038	5,288

22. Creditors

	31 March 2013 £000	31 March 2012 £000
Central Government Bodies	2,362	1,843
Other Local Authorities	957	792
Other Entities and Individuals	5,255	6,959
	<hr/>	<hr/>
TOTAL CREDITORS	8,574	9,594

NOTES TO THE ACCOUNTS

23. Provisions

	Land Charges £000	Insurances General Fund £000	Insurances HRA £000	Total £000
<u>Provisions > 1 year:</u>				
Balance at 1 April 2012	-	136	104	240
Additional provisions made in 2012/13	-	69	32	101
Unused amounts reversed in 2012/13		2	-	2
Amounts payable < 1 year transferred to short term creditors		-	(19)	(19)
Balance at 31 March 2013	-	207	117	324
<u>Provisions < 1 year:</u>				
Balance at 1 April 2012	-	73	25	98
Additional provisions made in 2012/13	200	-	-	200
Amounts used in 2012/13		(36)	(6)	(42)
Unused amounts reversed in 2012/13		(2)	-	(2)
Amounts payable < 1 year transferred from L/T Provision		-	19	19
Balance at 31 March 2013	200	35	38	273

Local Land Charges

A group of property search companies are threatening to issue legal claims against the Council - the value of which has not yet been validated. It is, therefore, not yet clear if the claims will be valid or how much the Council may be liable to pay. An initial estimate of £200,000 has been made.

Insurances

Provisions have been made for insurance cover in respect of outstanding claims from the public. The extent of the provisions relates to the excesses on existing claims as at 31 March 2013 where such excesses have been negotiated when agreeing premiums. Total provision for these insurance commitments is £397,000. Separate provisions are maintained for the General Fund and the Housing Revenue Account and these are further split between liabilities of less than 1 year (GF £35,000, HRA £38,000) and greater than 1 year (GF £207,000, HRA £117,000).

The future payments from the provisions are:

Due within 1 year	£73,000
Due between 1 and 5 years	£324,000
Due between 5 and 10 years	£0

NOTES TO THE ACCOUNTS

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8 – Transfers to / from Earmarked Reserves.

31 March 2012 £000		31 March 2013 £000
1,546	General Fund Revenue Balance	1,535
1,250	Housing Revenue Account Balance	1,283
1,010	Major Repairs Reserve	-
4,163	Usable Capital Receipts Reserve	4,457
745	External Capital Grants / Contributions Unapplied	1,038
21,214	Earmarked Reserves	25,453
29,928	TOTAL USABLE RESERVES	33,766

25. Unusable Reserves

31 March 2012 £000		31 March 2013 £000
14,192	Revaluation Reserve	15,062
-	Deferred Capital Receipts Reserve	224
155,380	Capital Adjustment Account	160,359
(322)	Financial Instruments Adjustment Account	(25)
(27,973)	Pensions Reserve	(34,790)
(36)	Collection Fund Adjustment Account	(11)
(305)	Accumulated Absences Account	(269)
140,936	TOTAL UNUSABLE RESERVES	140,550

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property. It also includes the gains made when assets e.g. Heritage Assets (except donated Heritage Assets) are recognised in the balance sheet for the first time. Plant, Equipment and Intangible Assets are currently valued on a Historic Cost basis therefore the Revaluation Reserve does not contain any balances for these non-current assets. 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.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

NOTES TO THE ACCOUNTS

2011/12 £000		2012/13 £000	£000
11,358	Balance at 1 April		14,192
3,806	Upward revaluation of assets	1,526	
(489)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(20)	
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,506
15	Recognition of Heritage Assets on Donation		-
(498)	Difference between fair value depreciation and historical cost depreciation	(636)	
(483)	Amount written off to the Capital Adjustment Account		(636)
14,192	Balance at 31 March		15,062

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.

2011/12 £000		2012/13 £000
-	Balance at 1 April	-
-	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Account	224
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
-	Balance at 31 March	224

NOTES TO THE ACCOUNTS

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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. The Council acquired further donated Heritage Assets in 2012/13 and the gains recognised on these assets are also held in this account.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The Account also contains the effects of the special one-off payment to DCLG (£136,157m) made on 28 March 2012 which was required to buy out the Governments share of the Housing Stock on the creation of the HRA Self Financing Regime on 1 April 2012.

The following table provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

NOTES TO THE ACCOUNTS

2011/12 £000		2012/13 £000	£000
292,461	Balance at 1 April (credit)		155,380
	Note: figures in brackets are debits		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,604)	- Charges for depreciation and impairment of non-current assets	(3,196)	
-	- Revaluation losses on Assets Held For Sale and reversal of previous revaluation impairments	173	
(69)	- Amortisation of intangible assets	(61)	
(868)	- Revenue expenditure funded from capital under statute	(1,036)	
(2,635)	- 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	(915)	
<u>(13,176)</u>			<u>(5,035)</u>
494	Difference between fair value depreciation and historical cost depreciation		636
<u>(12,682)</u>	Net written out amount of the cost of non-current assets consumed in the year		<u>(4,399)</u>
	Capital Financing applied in the year:		
1,148	- Use of the Capital Receipts Reserve to finance new capital expenditure	204	
5,174	- Use of the Major Repairs Reserve to finance new capital expenditure	6,429	
659	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	761	
98	- Application of grants to capital financing from the Capital Grants Unapplied Account	105	
(136,157)	- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	-	
4,388	- Capital expenditure charged against the General Fund and HRA balances	1,510	
<u>(124,690)</u>			<u>9,009</u>
27	Minimum Revenue Provision		28
264	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		309
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		32
<u>155,380</u>	Balance at 31 March		<u>160,359</u>

NOTES TO THE ACCOUNTS

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid in the past on the early redemption of loans. The balance on this account is amortised to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2013 will be charged to the General Fund over the next 45 years.

2011/12		2012/13	
£000		£000	£000
(619)	Balance at 1 April		(322)
297	Proportion of premiums incurred in previous financial years to be charged against the General Fund & HRA Balances in accordance with statutory requirements	297	
	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		297
		<hr/>	<hr/>
(322)	Balance at 31 March		(25)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011/12		2012/13	
£000		£000	£000
(21,318)	Balance at 1 April		(27,973)
(6,098)	Actuarial gains or losses on pensions assets and liabilities		(5,681)
(2,487)	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		(3,034)
1,930	Employer's pensions contributions and direct payments to pensions payable in the year		1,898
		<hr/>	<hr/>
(27,973)	Balance at 31 March		(34,790)

NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
2	Balance at 1 April	(36)
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
(38)		25
(36)	Balance at 31 March	(11)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/12 £000		2012/13 £000	£000
(315)	Balance at 1 April		(305)
315	Settlement or cancellation of accrual made at the end of the preceding year	305	
(305)	Amounts accrued at the end of the current year	(269)	
10	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		36
(305)	Balance at 31 March		(269)

NOTES TO THE ACCOUNTS

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

a) Adjust net (surplus)/deficit on the provision of services for non-cash movements

2011/12 £000		2012/13 £000
(4,828)	Depreciation	(4,924)
(4,502)	Impairment & revaluations in consolidated income and expenditure	1,756
(69)	Amortisation of intangible assets	(61)
(1,527)	(Increase) / decrease in creditors	1,176
(687)	Increase / (decrease) in debtors	432
(254)	(Increase) / decrease in provision for bad debt	(366)
-	Increase / (decrease) in inventories	(12)
(557)	Movement in pension liability	(1,136)
(2,635)	Carrying amount of non-current assets, assets held for sale, sold or derecognised	(742)
424	Other non-cash items charged to the net surplus or deficit on the provision of services	615
(14,635)	Adjust net (surplus)/deficit on the provision of services for non-cash movements	(3,262)

b) Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities

2011/12 £000		2012/13 £000
-	Investment Gains / (Losses)	-
3,205	Proceeds from the sale of PPE, investment properties and intangible assets	1,450
434	Any other items for which the cash effects are investing or financing cash flows	664
3,639	Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,114

c) Interest and Dividends included within net cash flows from Operating Activities

2011/12 £000		2012/13 £000
(546)	Interest received	(538)
1	Interest paid	4,765
4	Interest Element of finance lease payments	4
-	Dividends received	-

NOTES TO THE ACCOUNTS

27. Cash Flow Statement – Investing Activities

2011/12 £000		2012/13 £000
9,283	Purchase of property, plant and equipment, investment property and intangible assets	8,817
21,000	Purchase of short-term and long-term investments	34,000
-	Other payments for investing activities	-
(3,211)	Proceeds from sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(1,450)
(20,000)	Proceeds from the sale of short-term and long-term investments	(38,000)
(521)	Other receipts from investing activities	(1,692)
6,551	Net cash flows from investing activities	1,675

28. Cash Flow Statement – Financing Activities

2011/12 £000		2012/13 £000
(136,157)	Cash receipts of short- and long-term borrowing	-
-	Other receipts from financing activities	(725)
27	Cash payments for the reduction of the outstanding liabilities relating to finance leases	28
-	Repayments of short- and long-term borrowing	-
87	Other payments for financing activities	47
(136,043)	Net cash flows from financing activities	(650)

29. Amounts Reported for Resource Allocation Decisions

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

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

NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2012/13	COMMUNITY & CORPORATE			ENVIRONMENT & COMMUNITY		HOUSING & PROPERTY		STRATEGIC	HOUSING	TOTAL
	SERVICES	CULTURE	DEVELOPMENT	PROTECTION	FINANCE	G. FUND	NEIGHBOURHOOD	LEADERSHIP	REVENUE	
	£000	£000	£000	£000	£000	£000	£000	£000	ACCOUNT	
Government Grants	-	-	(142)	(12)	(40,593)	(371)	-	-	-	(41,118)
Other Grants and Contributions	(3)	(84)	(105)	(13)	(10)	(77)	(56)	(28)	(552)	(928)
Contributions from other Authorities	(568)	-	-	-	(62)	(180)	(1,042)	-	-	(1,852)
Agency Reimbursements	-	-	-	(212)	-	-	(168)	-	-	(380)
Fees and Charges	(43)	(2,625)	(1,685)	(1,904)	(362)	(14)	(4,356)	(1)	(676)	(11,666)
Rents	-	(348)	(800)	(86)	-	(178)	(35)	-	(24,550)	(25,997)
Other Income	(87)	(191)	(99)	(30)	(24)	(20)	(931)	(246)	(169)	(1,797)
Recharges	(4,205)	(1,474)	(630)	(1,696)	(1,953)	(1,262)	(2,002)	(969)	(2,495)	(16,686)
Total Income	(4,906)	(4,722)	(3,461)	(3,953)	(43,004)	(2,102)	(8,590)	(1,244)	(28,442)	(100,424)
Employees	2,800	2,830	2,085	1,855	2,772	1,312	1,509	906	2,364	18,433
Premises	2	2,010	409	866	-	289	715	31	5,305	9,627
Transport	11	12	53	56	14	38	40	13	95	332
Supplies and Services	1,482	1,190	648	537	652	435	776	531	1,023	7,274
Third Party Payments	162	158	651	323	134	42	7,916	193	397	9,976
Transfer Payments	-	-	-	-	39,235	-	-	-	-	39,235
Support Services	893	1,727	1,468	1,337	2,364	686	2,822	839	3,596	15,732
Capital Financing Charges	380	1,247	170	156	71	656	634	2	977	4,293
Total Expenditure	5,730	9,174	5,484	5,130	45,242	3,458	14,412	2,515	13,757	104,902
Surplus or deficit on the provision of services	824	4,452	2,023	1,177	2,238	1,356	5,822	1,271	(14,685)	4,478

NOTES TO THE ACCOUNTS

Portfolio Income and Expenditure 2011/12	COMMUNITY & CORPORATE			ENVIRONMENT & COMMUNITY		HOUSING & PROPERTY		STRATEGIC	HOUSING	TOTAL
	SERVICES	CULTURE	DEVELOPMENT	PROTECTION	FINANCE	G. FUND	NEIGHBOURHOOD	LEADERSHIP	REVENUE	
	£000	£000	£000	£000	£000	£000	£000	£000	ACCOUNT	
Government Grants	-	-	(57)	-	(39,943)	(388)	-	-	(49)	(40,437)
Other Grants and Contributions	(1)	(101)	(22)	(72)	(10)	(197)	(5)	(226)	(539)	(1,173)
Contributions from other Authorities	(542)	-	-	-	(71)	-	(1,077)	-	-	(1,690)
Agency Reimbursements	-	-	-	(206)	-	-	(162)	-	-	(368)
Fees and Charges	(12)	(2,518)	(1,196)	(1,665)	(379)	(48)	(5,021)	(18)	(642)	(11,499)
Rents	-	(242)	(719)	(130)	-	(80)	(13)	-	(22,772)	(23,956)
Other Income	(97)	(277)	(114)	(25)	(10)	(22)	(608)	(4)	(271)	(1,428)
Recharges	(4,291)	(1,037)	(677)	(2,086)	(1,871)	(1,149)	(2,008)	(1,122)	(2,253)	(16,494)
Total Income	(4,943)	(4,175)	(2,785)	(4,184)	(42,284)	(1,884)	(8,894)	(1,370)	(26,526)	(97,045)
Employees	2,775	2,702	2,193	1,933	2,438	1,095	1,461	958	2,108	17,663
Premises	32	1,762	263	1,083	4	223	698	17	5,240	9,322
Transport	11	23	55	63	15	40	40	16	100	363
Supplies and Services	1,481	1,287	433	519	769	328	643	560	1,090	7,110
Third Party Payments	414	198	433	308	100	152	8,033	154	365	10,157
Transfer Payments	-	-	-	-	38,167	-	-	-	8,382	46,549
Support Services	830	1,707	1,555	1,460	2,336	673	2,783	871	3,350	15,565
Capital Financing Charges	320	1,017	851	258	103	651	(430)	3	143,973	146,746
Total Expenditure	5,863	8,696	5,783	5,624	43,932	3,162	13,228	2,579	164,608	253,475
Surplus or deficit on the provision of services	920	4,521	2,998	1,440	1,648	1,278	4,334	1,209	138,082	156,430

NOTES TO THE ACCOUNTS

Reconciliation of Housing Revenue Account Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of the Housing Revenue Account income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £000	2011/12 £000
Net Expenditure in the HRA Analysis	(14,685)	138,082
HRA Self Financing Settlement Payment	-	(136,157)
HRA share of Corporate and Democratic Core costs included in the Corporate and Democratic Core line in the Comprehensive Income and Expenditure Statement	(98)	(99)
Cost of HRA Services in Comprehensive Income and Expenditure Statement	(14,783)	1,826

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the portfolio area income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	PORTFOLIO ANALYSIS £000	SUPPORT SERVICES £000	INTERNAL RECHARGES £000	AGENCY WORK £000	DISCONTINUED SERVICES £000	INVESTMENT PROPERTIES £000	TOTAL £000
Government Grants	(41,118)	-	-	-	-	-	(41,118)
Other Grants and Contributions	(928)	11	-	-	-	53	(864)
Contributions from other Authorities	(1,852)	472	-	1,042	-	-	(338)
Agency Reimbursements	(380)	-	-	-	-	-	(380)
Fees and Charges	(11,666)	12	-	1,891	-	9	(9,754)
Rents	(25,997)	81	-	-	-	562	(25,354)
Other Income	(1,797)	109	-	-	-	-	(1,688)
Recharges	(16,686)	11,248	5,438	-	-	-	-
Total Income	(100,424)	11,933	5,438	2,933	-	624	(79,496)
Employees	18,433	(6,609)	-	-	-	-	11,824
Premises	9,627	(775)	-	-	-	(216)	8,636
Transport	332	(78)	-	(11)	-	-	243
Supplies and Services	7,274	(1,434)	-	(185)	-	(9)	5,646
Third Party Payments	9,976	(295)	-	(1,901)	-	(143)	7,637
Transfer Payments	39,235	-	-	-	-	-	39,235
Support Services	15,732	(2,395)	(5,438)	(836)	-	(127)	6,936
Capital Financing Charges	4,293	(347)	-	-	-	(5)	3,941
Total Expenditure	104,902	(11,933)	(5,438)	(2,933)	-	(500)	84,098
Surplus or deficit on the provision of services	4,478	-	-	-	-	124	4,602

NOTES TO THE ACCOUNTS

2011/12 Comparative Figures	PORTFOLIO	SUPPORT	INTERNAL	AGENCY DISCONTINUED		INVESTMENT	TOTAL
	ANALYSIS	SERVICES	RECHARGES	WORK	SERVICES	PROPERTIES	
	£000	£000	£000	£000	£000	£000	£000
Government Grants	(40,437)	-	-	-	-	-	(40,437)
Other Grants and Contributions	(1,173)	10	-	-	-	-	(1,163)
Contributions from other Authorities	(1,690)	482	-	1,077	-	-	(131)
Agency Reimbursements	(368)	-	-	-	-	-	(368)
Fees and Charges	(11,499)	20	-	2,152	-	1	(9,326)
Rents	(23,956)	102	-	-	-	595	(23,259)
Other Income	(1,428)	98	-	-	-	7	(1,323)
Recharges	(16,494)	10,936	5,564	-	-	-	6
Total Income	(97,045)	11,648	5,564	3,229	-	603	(76,001)
Employees	17,663	(6,259)	-	-	-	-	11,404
Premises	9,322	(756)	-	-	-	(133)	8,433
Transport	363	(84)	-	(11)	-	-	268
Supplies and Services	7,110	(1,512)	-	(147)	-	(7)	5,444
Third Party Payments	10,157	(330)	-	(2,159)	19	(66)	7,621
Transfer Payments	46,549	-	-	-	-	-	46,549
Support Services	15,565	(2,335)	(5,564)	(912)	(5)	(117)	6,632
Capital Financing Charges	146,746	(372)	-	-	-	(5)	146,369
Total Expenditure	253,475	(11,648)	(5,564)	(3,229)	14	(328)	232,720
Surplus or deficit on the provision of services	156,430	-	-	-	14	275	156,719

30. Transferred Operations

Responsibility for administering a statutory concessionary fares scheme transferred from the Council to Warwickshire County Council on 1 April 2011. Expenditure and income on this service was previously included within the Highways, Roads and Transport Services line on the face of the Comprehensive Income and Expenditure Statement. The receipt of all outstanding claims from the bus operators in respect of 2010/11 resulted in a small surplus of £19,000 over the amount accrued for in 2010/11. Central Government has also adjusted the revenue support grant of the respective councils in order to keep the transfer cost neutral. Residual costs associated with the scheme are as follows:

	2012/13	2011/12
	£000	£000
EXPENDITURE:		
Payments to bus operators	-	(19)
Administrative costs	-	5
NET COST / (INCOME)	-	(14)

NOTES TO THE ACCOUNTS

31. Agency Income and Expenditure

In August 2007 the Decriminalisation of Parking Enforcement was introduced within the Council's area. This moved parking enforcement from the former Warwickshire Police Authority to Warwickshire County Council and saw the introduction of on-street parking charges within the Council's area. As district councils are already responsible for off-street parking arrangements it is considered good practice for them to administer on-street parking as agents for county councils. Any surpluses generated should be ring fenced for highway purposes.

The County Council reimburses the Council for direct costs of the service, an agreed proportion of the shared costs and a contribution towards the administrative costs. The net surplus of fee income generated less collection costs is paid to the County Council.

A summary of income and expenditure in respect of the activity, which is not included in the Comprehensive Income and Expenditure Account, is as follows:

	2012/13	2011/12
	£000	£000
Direct Costs	207	166
Proportion of Shared Costs	697	761
Administrative Costs	138	151
Income	(1,891)	(2,152)
	<hr/>	<hr/>
Net Surplus paid to Warwickshire County Council	(849)	(1,074)

32. Members' Allowances

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

The total value of allowances paid to the Council's members during 2011/12 was:

	2012/13	2011/12
	£000	£000
Allowances:		
Basic	213	213
Special Responsibility	60	56
Chair and Vice Chair Allowances	18	17
Co-Optees	2	3
Other Allowances (Travel, Subsistence, etc.)	12	12
	<hr/>	<hr/>
Total Allowances	305	301

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

NOTES TO THE ACCOUNTS

33. Officers' Remuneration

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

Post Title		Salary	Pension	Total
		(inc Fees & Allowances) £	Contribution £	Remuneration Inc Pension Contribution £
Chief Executive	2012/13	109,616	16,879	126,495
	2011/12	124,568	19,184	143,752
Deputy Chief Executive	2012/13	84,542	13,605	98,147
	2011/12	84,172	12,962	97,134
Deputy Chief Executive	2012/13	81,250	13,081	94,331
	2011/12	81,250	12,513	93,763
S151 Officer	2012/13	74,056	11,921	85,977
	2011/12	71,750	11,049	82,799
TOTALS	2012/13	349,464	55,486	404,950
	2011/12	361,740	55,708	417,448

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

	Number of Employees		Number of Employees	
	Total 2012/13	Left in Year	Total 2011/12	Left in Year
£50,000 - £54,999	-	-	-	-
£55,000 - £59,999	5	2	4	-
£60,000 - £64,999	5	2	2	-
£65,000 - £69,999	-	-	-	-
£70,000 - £74,999	1	1	-	-
£75,000 - £79,999	1	1	-	-
£80,000 - £84,999	-	-	-	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	1	1

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

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	3	13	1	-	4	13	£30,535	£134,591
£20,001 - £40,000	2	9	-	1	2	10	£65,909	£325,643
£40,001 - £60,000	-	1	1	-	1	1	£44,000	£40,510
Total	5	23	2	1	7	24	£140,444	£500,744

NOTES TO THE ACCOUNTS

34. External Audit Costs

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

	2012/13 £'000	2011/12 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	71	108
Fees payable to Grant Thornton for the certification of grant claims and returns	24	27
Fees payable in respect of other services provided by the appointed auditor	-	1
TOTAL PAID	95	136

The Council's external auditors have changed from The Audit Commission in 2011/12 to Grant Thornton UK LLP.

The fees for other services payable in 2011/12 were to the Audit Commission in respect of the National Fraud Initiative. This fee was also paid to the Audit Commission in 2012/13.

There was also a rebate of £7,440 received from the Audit Commission in 2012/13 in respect of past service costs.

NOTES TO THE ACCOUNTS

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2012/13 £000	2011/12 £000
Credited to Taxation and Non-Specific Grant Income		
Redistributed Non-Domestic Rates	(6,848)	(5,986)
New Homes Bonus	(818)	(292)
Council Tax Freeze Grant	(392)	(196)
Revenue Support Grant	(137)	(1,850)
LSSG - Homelessness Prevention Grant	(85)	(86)
Right To Challenge Grant	(8)	-
Right To Bid New Burdens Grant	(5)	-
<u>Capital Grants and Contributions:</u>		
- Developers contribution: Chase Meadow Community Centre	(193)	-
- S106 Contribs towards social housing & play equipment	(162)	(225)
- LPSA Capital Grant towards Affordable Housing	(85)	-
- Friends of the Pump Rooms re Linden Arches	(66)	-
- Donated Heritage Assets	(32)	-
- Other contributions towards Brunswick Hub, Biomass Boiler, thermal improvements etc.	(31)	(87)
- Groundwork UK contribution to Dell improvement work	(27)	(22)
- Church Contribution towards Chase Meadow Community Centre	(24)	-
- Kenilworth Round Table & Friends of Abbey Fields contributions towards Abbey Fields Playground	(24)	-
- DCLG Grant re Flood Alleviation	(20)	-
- WCC, WPA & PCT Contributions towards Kenilworth Public Service Centre	-	(98)
- Advantage West Midlands Grant - various projects	-	(2)
TOTAL	(8,957)	(8,844)
Credited to Services		
DWP grants for Benefits	(39,496)	(38,910)
Housing Benefit Administration Grant	(883)	(814)
DCLG Disabled Facilities Grant	(368)	(338)
Contribution towards NNDR Collection	(213)	(218)
Portas Pilot Project	(100)	-
Flood Alleviation Schemes	(12)	-
Warwick Town Team Project	(10)	-
Implementation of Homelessness Act	(3)	(31)
Safer and Stronger Communities / Anti-Social Behaviour	-	(22)
TOTAL	(41,085)	(40,333)
TOTAL GRANTS	(50,042)	(49,177)

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 at the year-end are as follows:

	2012/13 £000	2011/12 £000
Capital Grants / Contributions Receipts in Advance		
S106 Contributions towards social housing, car parking & play equipment	(1,424)	(1,292)
S106 Contribution towards Chase Meadow Community Centre	(310)	(519)
TOTAL	(1,734)	(1,811)

36. Related Party Transactions

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

Central Government:

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29. Grant receipts outstanding at 31 March 2013 are shown in Note 35.

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

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in Note 41.

Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2012/13 the precepts issued totalled £1,170,519 (£1,116,543 2011/12). The major preceptors were:

	2012/13 £000	2011/12 £000
Warwick Town Council	310	302
Royal Leamington Spa	304	294
Kenilworth Town Coun	181	144
Whitnash Town Council	98	91

Council Members and Chief Officers:

Council Members make disclosures of their pecuniary and non-pecuniary interests in the Members' Register, and also have to make declarations on individual committee agenda items. In addition to Council Members, the Chief Executive and two Deputy Chief

NOTES TO THE ACCOUNTS

Executives also make annual declarations in respect of any Related Party Transactions they may have.

Council Members have direct control over the Council's financial and operating policies. Grants totalling £358,554 (£331,307 2011/12) were paid to voluntary organisations in which seven members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The major grants awarded were:

	2012/13 £000	2011/12 £000
Citizens' Advice Bureau	110	102
Brunswick Healthy Living Centre	75	54
Warwickshire Community and Voluntary Action (CAVA)	70	31
The Chain	46	10
Hill Close Gardens Trust	24	30
Warwickshire Rural Community Council	20	13
Act on Energy	9	9
African Caribbean Project / Bath Place Community Venture	1	6
Warwickshire Race Equality Partnership	-	25
Action 21	-	16
Warwick District Mobility Ltd	-	15
Victim Support	-	8

Details of Members' Allowances are disclosed in Note 32 and Officer Salaries are disclosed in Note 33.

37. 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. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	134,460	(1,697)
Capital Investment:		
Property, Plant and Equipment including Finance Leases	8,209	10,568
Investment Properties	-	-
Intangible Assets	39	29
Revenue Expenditure Funded from Capital Under Statute	1,036	868
Long Term Debtors	-	1
Finance Leases Principal - Photocopiers	92	115
HRA Self Financing Settlement	-	136,157
Sources of Finance:		
Capital Receipts	(476)	(1,148)
Government grants and other contributions	(855)	(749)
Major Repairs Account	(6,429)	(5,174)
Sums set aside from revenue	(1,524)	(4,395)
Adjustment for expenditure where MRP is being met by Asset Life or Depreciation Methods	(92)	(115)
Minimum Revenue Provision	-	-
Closing Capital Financing Requirement	134,460	134,460

NOTES TO THE ACCOUNTS

38. Leases

Authority as Lessee

Finance Leases

In addition to those acquired during 2011/12, in 2012/13 the Council acquired further photocopiers under a Finance Lease. The liability remaining in the balance sheet at 31st March was £91,915. The minimum lease payments over the coming years are analysed below:

2013/14	£29,360
2014/15	£30,266
2015/16	£31,173
2016/17	£1,116

Operating Leases

The Council uses telephone equipment and 2 photocopiers financed under the terms of an operating lease. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2012 £000
Not later than one year	1	1
Later than one year and not later than five years	-	6
	<hr/>	<hr/>
	1	7

Authority as Lessor

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

Operating Leases

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

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

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

	31 March 2013 £000	31 March 2012 £000
Not later than one year	306	336
Later than one year and not later than five years	1,265	1,383
Later than five years	900	900
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	2,471	2,619

NOTES TO THE ACCOUNTS

The General Fund has a number of investment properties that it leases out which generates £624,000 rental income. Transactions relating to these properties are disclosed in Note 15 Investment Properties.

39. Impairment Losses

During 2012/13, the Council has recognised impairment losses charged to the General Fund of £60,757 as a result of writing out obsolete equipment.

In addition, there were revaluation impairments amounting to £324,816 charged to the General Fund as a result of the revaluation of certain properties at 1st April 2012 and 31st March 2013 carried out by the District Valuer analysed as follows:

£186,000	Royal Pump Rooms (land element)
£125,000	Royal Spa Centre (land element)
£8,816	Abbey Fields Swimming Pool
£5,000	Old School House, Court St. (land element)

This has been offset by £473,426 resulting from the reversal of revaluation impairments previously charged to the General Fund, £353,964 in respect of Covent Garden Multi Storey Car Park, £102,941 in respect of Riverside House, £16,000 in respect of Jubilee House and £521 in respect of the Newbold Comyn Golf Shop.

Within the Housing Revenue Account, the Council has recognised a net impairment gain amounting to £1,668,254 relating to its housing stock which has partially reversed previous impairment losses charged to the HRA

As a result of the revaluations carried out in 2012/13, a further revaluation impairment of £20,071 has been charged to the General Fund Revaluation Reserve against revaluation surpluses previously credited to the Revaluation Reserve in respect of these assets.

40. Termination Benefits

As part of its restructuring to be "Fit For The Future" the Council terminated the contracts of a number of employees in 2012/13, incurring redundancy costs of £500,700 (£140,400 in 2011/12) – see Note 33 for the number of exit packages and total cost per band.

41. 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 that needs to be disclosed at the time that employees earn their future entitlement.

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following

NOTES TO THE ACCOUNTS

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:

	2012/13 £000	2011/12 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- current service cost	2,096	1,987
- past service costs	13	-
- settlements and curtailments	100	31
<i>Financing and Investment Income and Expenditure:</i>		
- interest cost	4,950	5,254
- expected return on scheme assets	(4,125)	(4,785)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	3,034	2,487
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	5,681	6,098
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	8,715	8,585
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	(3,034)	(2,487)
Actual amount charged against the General Fund and HRA Balances for pensions in the year:		
- employer's contributions payable to scheme	1,898	1,930

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2013 a loss of £2,935,000 and at 31 March 2012 was a gain of £2,746,000.

NOTES TO THE ACCOUNTS

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2012/13 £000	2011/12 £000
Opening Balance at 1 April	(103,605)	(96,234)
Current service cost	(2,096)	(1,987)
Interest cost	(4,950)	(5,254)
Contributions by scheme participants	(691)	(732)
Actuarial gains and (losses)	(12,689)	(3,537)
Benefits paid	3,856	4,170
Past service costs	(13)	-
Curtailments	(100)	(31)
	<hr/>	<hr/>
Closing balance at 31 March	(120,288)	(103,605)

Reconciliation of fair value of the scheme (plan) assets:

	2012/13 £000	2011/12 £000
Opening Balance at 1 April	75,632	74,916
Expected rate of return	4,125	4,785
Actuarial gains and (losses)	7,008	(2,561)
Employer contributions	1,898	1,930
Contributions by scheme participants	691	732
Benefits paid	(3,856)	(4,170)
	<hr/>	<hr/>
Closing balance at 31 March	85,498	75,632

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £11.1m (2011/12: £2.0m).

Scheme history:

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities	(73,101)	(99,907)	(96,234)	(103,605)	(120,288)
Fair value of assets	49,174	65,349	74,916	75,632	85,498
	<hr/>				
Surplus / (Deficit)	(23,927)	(34,558)	(21,318)	(27,973)	(34,790)

The liabilities show underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £34.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced overall balance of £174.3m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

NOTES TO THE ACCOUNTS

- the deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when pensions are actually paid.

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £1.8m.

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 2010. The expected rates of return are set equal to the discount rate (as per the forthcoming revised version of IAS19).

The principal assumptions used by the actuary have been:

	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.3%
Bonds	4.5%	3.9%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9 years	21.9 years
Women	23.6 years	23.6 years
Longevity at 65 for future pensioners:		
Men	22.8 years	22.8 years
Women	25.9 years	25.9 years
Rate of inflation	3.6%	3.3%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate of discounting scheme liabilities	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2013	31 March 2012
	%	%
Equities	73	71
Bonds	18	19
Property	9	10
Cash	-	-
Total	100	100

NOTES TO THE ACCOUNTS

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	32.7%	21.0%	9.2%	3.4%	8.2%
Experience gains and losses on liabilities	0.0%	0.0%	1.9%	3.4%	10.5%

There is an inconsistency between the total scheme assets as determined by the actuary and the total scheme assets as per the pension scheme accounts. This is because the actuary has estimated the value of assets using the actual return on assets to December 2012 and has estimated the return on assets for January to March 2013.

42. Contingent Liabilities

Retention of Business Rates:

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG. When authorities assume these liabilities on 1 April 2013, a provision will need to be recognised.

LAAP recommends that, despite the fact that these amounts relate to 2012/13 and earlier years:

- authorities should only recognise their respective share of these liabilities on 1 April 2013, as until then no liability rests with the authority;
- the 2012/13 financial statements should report the authority's respective share of the liability as a non-adjusting post balance sheet event, if material.

Mutual Municipal Insurance Limited:

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

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

This means that members of the Scheme face an imminent call on funds to eliminate MMI's current deficit and that in future only 85% of claim amounts will be paid out. Members also face potential future calls if the situation deteriorates further.

Although the Council has provided for the bulk of this claw back there is potential for a further £100,000 to be reclaimed if the situation deteriorates further.

NOTES TO THE ACCOUNTS

43. 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.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

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

The credit criteria at 1st April 2013 in respect of financial assets held by the Council are as detailed overleaf:

NOTES TO THE ACCOUNTS

Financial Asset Category (Fitch ratings)	Minimum Criteria	Maximum Investment	Maximum Duration	Proportion of Portfolio at 31st March 2013 £'000
Deposits With Banks	Sovereign equal to UK rating	£5m (private)	Up to 2 years	1,000
	Long Term A+ (Nationalised banks A)	£9m (nationalised)	Up to 2 years	12,000
	Short Term F1			
	Viability BBB minimum			
	Support 1			
Deposits With Building Societies				
Category A	Sovereign equal to UK rating	£4m	Up to 2 years	-
	Long Term A+			
	Short Term F1			
Category B	Sovereign equal to UK rating	£2m	364 days	-
	Short Term F1			
Category C	Non rated but in the Top 20 ranked by asset value subject to a minimum of £500m assets and a group total of £8m	£1m	3 months	-
Deposits with Money Market Funds	S & P AAAM or Moody's Aaa-mf or Fitch AAAMmf	£9m	Not defined - depends on cash flow	12,488
Nationalised Industries	UK Government guarantee	£9m	364 days	-
UK Government	UK Government guarantee	£12m	Not defined	-
Local and Police Authorities	Secured by statute on revenues of Authority	£9m	Up to 2 years	13,000
				38,488

The investments in force at 31 March 2013 totalling £38.488m have been reviewed and it is considered that following stabilisation of the UK banking system after the banking crisis of 2008 the Council is at a low risk of a counterparty defaulting during the remaining term of the investments as default is less likely particularly as the banks are now required to maintain much higher liquidity levels and if default should happen then the defaulter would likely be absorbed into another institution or rescued by the UK Government.

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 2013, sundry debts outstanding stood at £3.459m of which £1.637m related to general debts and £1.822m to Housing Benefit overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.07m (4.3%) and £0.57m (31.3%) have been established in respect of the general debts and Housing Benefit Overpayments respectively. An analysis by age of the £3.459m less £0.64m bad debts provision follows:

NOTES TO THE ACCOUNTS

	31 March 2013 £000	31 March 2012 £000
Less than three months	1,773	1,344
Four to six months	93	159
Seven to nine months	131	205
Ten to twelve months	60	203
More than one year	762	547
Total	2,819	2,458

At 31 March 2013, outstanding arrears in respect of council house rents and charges stood at £1.706m; again an assessment of the default rate on these arrears has been made and a bad debts provision of £1.096m (64.2%) 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 (2012/13 £151.215m and 2013/14 £151.192m) 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 (2012/13 £163.216m and 2013/14 £163.192m). The Council did not incur any borrowing either for cash flow or long term purposes in 2012/13 and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments in 2013/14. The Public Works Loan Board loans taken out to finance the HRA Self Financing buy out in 2011/12 mature between 2053 and 2062. The amount in the Balance Sheet includes £52,225 interest relating to 2012/13 which will be paid in 2013/14.

The Council has within its balance sheet, £1.616m in respect of external contributions paid to it by developers and other contributors to be spent on mainly capital expenditure for which there is no precise indication of when the related spend will take place. If the spend does not take place, the contributions will need to be refunded but this is not expected to be an issue in 2013/14. All of the Council's trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

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

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise

NOTES TO THE ACCOUNTS

- Investments at fixed rates – the fair value of the assets will fall.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, based on the 2012/13 out-turn a 0.5% movement upwards in interest rates would have produced an additional £0.237m interest. Conversely the same movement downwards would have reduced investment interest by a similar amount.

Price Risk

The Council does not invest in equity shares.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

44. Authorisation of Accounts for Issue

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 17 September 2013.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

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

2011/12 £'000	Notes	2012/13 £'000 £'000	
EXPENDITURE			
4,448		4,395	
5,011		5,487	
214		88	
8,382	11	-	
228		216	
7,678		882	
47		1	
136,157		-	
91		95	
162,256			11,164
INCOME			
(21,995)		(23,777)	
(775)		(773)	
(915)		(720)	
(588)		(677)	
(24,273)			(25,947)
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure			
137,983			(14,783)
99			98
-			-
138,082			(14,685)
Net Income for HRA Services			
(504)			(684)
52			4,765
32	12		57
(181)			(116)
137,481			(10,663)

MOVEMENT ON THE HRA BALANCE STATEMENT

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

2011/12 £000		Notes	2012/13 £000 £000	
9,388	Balance on the HRA at the end of the previous year			1,250
(137,481)	Surplus or (deficit for the year on the HRA Income and Expenditure Statement		10,663	
136,127	Adjustments between accounting basis and funding basis under statute	13	<u>(6,221)</u>	
	Net increase or (decrease) before transfers to or from reserves		4,442	
(6,784)	Transfers (to) or from reserves		<u>(4,409)</u>	
	Increase or (decrease) in year on the HRA			33
<u>1,250</u>	Balance on the HRA at the end of the current year			<u>1,283</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Amounts Reported for Resource Allocation Decisions

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

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

	2012/13	2011/12
	£000	£000
Government Grants	-	(49)
Other Grants and Contributions	(552)	(539)
Fees and Charges	(676)	(642)
Rents	(24,550)	(22,772)
Other Income	(169)	(271)
Recharges	(2,495)	(2,253)
Total Income	(28,442)	(26,526)
Employees	2,364	2,108
Premises	5,305	5,240
Transport	95	100
Supplies and Services	1,023	1,090
Third Party Payments	397	365
Negative Housing Subsidy	-	8,382
Support Services	3,596	3,350
Capital Financing Charges	977	143,973
Total Operating Expenses	13,757	164,608
Net Cost of HRA Services	(14,685)	138,082

NOTES TO THE HOUSING REVENUE ACCOUNT

2. Housing Stock

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

	31 March 2013 Nos.	31 March 2012 Nos.
Houses	2,492	2,505
Flats	2,430	2,434
Bungalows	669	669
	5,591	5,608

The change in housing stock can be summarised as follows:

	2012/13 Nos.	2011/12 Nos.
Housing Stock at 1 April	5,608	5,612
Purchases	-	-
Right to Buy Sales	(17)	(3)
Other Sales	-	(1)
Other Disposals	-	-
	5,591	5,608
Housing Stock at 31 March	5,591	5,608

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

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

	31 March 2013 £'000	1 April 2012 £'000
Council Dwellings	229,001	223,419
Other Properties	6,152	6,290
Land	179	179
Equipment	94	110
Assets Under Construction	29	-
Assets Held for Sale	614	-
	236,069	229,998
Total Balance Sheet Items	236,069	229,998

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Valuation of Dwellings

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

	1 April 2012 £'000	1 April 2011 £'000
Vacant Possession Value of Dwellings	653,723	650,433
Balance Sheet Value of Dwellings	223,419	222,291
Economic Cost to Government	430,304	428,142

5. Summary of Capital Expenditure Funding Sources

	2012/13 £'000	2011/12 £'000
Internal Borrowing	-	-
Prudential Borrowing	-	-
Government Grant	-	87
Usable Capital Receipts	-	-
Revenue and Other Contributions	910	3,263
Major Repairs Reserve	6,429	5,174
TOTAL CAPITAL EXPENDITURE FUNDING	7,339	8,524

6. Intangible Assets / Revenue Expenditure Funded from Capital under Statute

During 2012/13 the Housing Revenue Account incurred expenditure amounting to £94,817 on Revenue Expenditure Funded from Capital under Statute (£90,570 in 2011/12), which is capital expenditure incurred by the Council on non-physical assets. All of the £94,817 was spent on Assisted Elderly Persons Transfer Scheme Payments, enabling elderly people to move to more suitable accommodation freeing up larger housing stock for families. The entire cost was amortised to revenue in 2012/13. No expenditure was incurred on Intangible Assets.

7. Revaluations Impairment

The 1 April 2013 valuation of the housing stock by the District Valuer shows that the value of the Council's housing stock has decreased by £0.133m whilst land valuations have increased by £1.802m making a net increase of £1.669m which has been credited to the HRA to partially reverse previous years impairments made to that account.

The housing stock is valued on an "Existing Use – Social Housing" (EUV-SH) basis, derived from the Open Market Value (OMV), discounted by a Regional Adjustment Factor, which is determined by the Department for Communities and Local Government (DCLG). Currently, this is just 34% of the Open Market Value. A full valuation of the stock has to be undertaken every 5 years, most recently 1 April 2010.

NOTES TO THE HOUSING REVENUE ACCOUNT

8. Summary of Capital Receipts

	2012/13 £'000	2011/12 £'000
Sale of Council Houses	1,265	315
Sale of Land	-	592
Repayment of Discount	-	-
Sale of Council Houses Advances Repaid	6	9
Repayment of Grants	-	-
	<hr/>	<hr/>
TOTAL CAPITAL RECEIPTS	1,271	916

In addition Kingsway Community Centre was disposed of to Waterloo Housing Association. The actual purchase monies will be received in future years and a deferred capital receipt of £224k has been recognised in the 2012/13 Balance Sheet.

9. Depreciation of Fixed Assets

	2012/13 £'000	2011/12 £'000
Council Dwellings	2,079	2,038
Other Buildings	412	410
Land	-	-
Equipment	59	89
	<hr/>	<hr/>
TOTAL DEPRECIATION	2,550	2,537

10. Arrears and Provision for Bad or Doubtful Debts

	2012/13 £'000	2011/12 £'000
<u>HRA Rent & Charges Arrears</u>		
Current Tenant Rent Arrears	880	875
Former Tenant Rent Arrears	454	373
	<hr/>	<hr/>
Dwelling Rent Arrears	1,334	1,248
Garage Rent Arrears	4	11
Supporting People Charge Arrears	31	26
Court Cost Arrears	97	96
Overpayment of Benefit Arrears	240	284
	<hr/>	<hr/>
Total Arrears	1,706	1,665
 <u>HRA Bad Debt Provisions</u>		
Rent Bad Debt Provision	(1,096)	(1,005)
Court Cost Bad Debt Provision	(91)	(91)
	<hr/>	<hr/>
Total Bad Debt Provisions	(1,187)	(1,096)

NOTES TO THE HOUSING REVENUE ACCOUNT

11. Sums Directed by the Secretary of State to be Debited / Credited to the Housing Revenue Account

Housing subsidy was calculated using a "model" of an authority's Housing Revenue Account. Figures used in the model were based on annual assumptions made by the Government on rents to be charged, expenditure on management and maintenance, "notional" (not actual) costs of loan charges and various other items of income and expenditure. Any "surplus" which is produced is debited to the Housing Revenue Account and paid to the Government as a contribution to the National Housing Rent Pool as "Sums Directed by the Secretary of State". In 2011/12, the net contribution payable was £8.33m.

2011/12 was the final year that contributions to the National Housing Pool were payable as housing subsidy was replaced by the Housing Self Financing regime 1st April 2012. This required the Council to "buy" itself out of the old system by making a one-off payment to the Government of £136.2m. Therefore no contribution was payable in 2012/13.

The net contribution to the Housing Rent Pool calculation is as follows:

	2012/13	2011/12
	£'000	£'000
<u>CREDITS:</u>		
Rents	-	21,712
Other Income	-	1
	<hr/>	<hr/>
TOTAL CREDITS	-	21,713
	<hr/>	<hr/>
<u>DEBITS</u>		
Management and Maintenance	-	8,871
Major Repairs Allowance	-	3,771
Loan Charges	-	689
Other Allowances	-	49
Balance to National Housing Pool	-	8,333
	<hr/>	<hr/>
TOTAL DEBITS	-	21,713
	<hr/>	<hr/>

NOTES TO THE HOUSING REVENUE ACCOUNT

12. HRA – Accounting for Pensions under IAS19

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

	2012/13 £000	2011/12 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- current service cost	223	205
- past service costs	-	-
- settlements and curtailments	-	-
<i>Financing and Investment Income and Expenditure:</i>		
- interest cost	345	488
- expected return on scheme assets	(288)	(456)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	280	237
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	-	-
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	280	237
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	(280)	(237)
Actual amount charged against the Housing Revenue Account Balance for pensions in the year:		
- employer's contributions payable to scheme	201	199

13. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

NOTES TO THE HOUSING REVENUE ACCOUNT

	2012/13 £000	2011/12 £000
Adjustments primarily involving the Capital		
Adjustment Account:		
Reversal of items debited or credited to the HRA		
Income and Expenditure Statement:		
Revaluation gain on Property Plant and Equipment	1,668	(5,141)
Amortisation of intangible assets	-	-
Revenue expenditure funded from capital under statute	(95)	(90)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the HRA Income and Expenditure Statement	(587)	(321)
Insertion of items not debited or credited to the HRA		
Income and Expenditure Statement:		
HRA Self Financing Payment to Government	-	(136,157)
Capital expenditure charged against HRA balances	879	3,263
Adjustments primarily involving the Capital Receipts		
Reserve:		
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the HRA Income and Expenditure Statement	1,271	825
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-
Adjustments primarily involving the Major Repairs		
Reserve:		
Reversal of Major Repairs Allowance credited to the HRA	2,869	1,234
Adjustment primarily involving the Financial		
Instruments Adjustment Account:		
Amount by which finance costs charged to the HRA Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	297	297
Adjustments primarily involving the Pensions		
Reserve:		
Reversal of items relating to retirement benefits debited or credited to the HRA Income and Expenditure Statement (see HRA Note 12)	(281)	(237)
Employer's pensions contributions and direct payments to pensioners payable in the year	201	199
Adjustments primarily involving the Accumulated		
Absences Account:		
Amount by which officer remuneration charged to the HRA Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	1
Total Adjustments	6,221	(136,127)

HOUSING MAJOR REPAIRS RESERVE

Under the Resource Accounting regime there is a statutory requirement to keep a Major Repairs Reserve Account. An amount equivalent to the depreciation charge on HRA assets is transferred into this account; until 31st March 2012 an adjustment was made so the overall amount transferred into this account was equal to the Major Repairs Allowance (MRA) set out in the annual subsidy determination. Self Financing replaced housing subsidy from 1st April 2012, and in this transitional period the same process is being followed using the MRA set out in the Self Financing determination.

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

Actual 2011/12 £000		Notes	Actual 2012/13 £000
	INCOME		
(2,038)	Depreciation on HRA Dwellings		(2,079)
(499)	Depreciation on Other Non-Current HRA Assets		(471)
(1,733)	Appropriation Adjustment	1	(3,339)
(4,270)	TOTAL INCOME		(5,889)
	EXPENDITURE		
499	Other Non-Current HRA Assets Depreciation Adjustment	2	471
5,174	Capital Expenditure Funded from MRR	3	6,428
5,673	TOTAL EXPENDITURE		6,899
1,403	Net (Surplus) / Deficit to Balances		1,010
(2,413)	Balance Brought Forward		(1,010)
(1,010)	Balance carried forward	4	-

1. **Appropriation Adjustment**

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

2. **Depreciation on Other Non-Current HRA Assets**

Under Housing Resource Accounting it is intended that the depreciation charged on non-dwelling assets (shops, community centres, offices and garages) should be a real charge on the HRA. However, the Department for Communities and Local Government has agreed that this should not be brought into effect at present so relevant adjustments are made through this reserve in order to ensure that, currently, there is a nil impact on the rent payer.

3. **Capital Expenditure Funded from MRR**

This is a contribution to fund capital repairs and maintenance of the housing stock.

4. **Balance on Account**

The entire balance of the MRR has been used in 2012/13 to finance capital expenditure on maintaining and improving homes.

HOUSING REPAIRS ACCOUNT

This account was used to keep a separate record of income and expenditure relating to the repair and maintenance of the authority's dwellings. It is not a statutory account, and the majority of councils with an HRA do not keep a housing repairs account. The balance on this account cannot fall into debit; credit balances can be carried forward in order to fund future expenditure on capital and revenue repairs and maintenance. In preparation for the implementation of Housing Self Financing this account was closed; consequently the Housing Repairs Account ceased to exist from 1 April 2012.

Actual 2011/12 £000		Notes	Actual 2012/13 £000
	INCOME		
7,674	Contribution from Housing Revenue Account		-
7,674	TOTAL INCOME		-
	EXPENDITURE		
1,961	Major Works Programme		-
2,484	Routine Maintenance		-
3,263	Revenue Contribution to Capital Outlay	1	-
7,708	TOTAL EXPENDITURE		-
34	Net (Surplus) / Deficit to Balances		-
(1,734)	Balance Brought Forward		-
1,700	Balance Transferred to HRA Capital Investment Reserve	2	-
-	Balance carried forward		-

1. Revenue Contribution to Capital Outlay

The Housing Repairs Account made a contribution of £3.3m to support the Housing capital programme in 2011/12. In 2012/13 the equivalent Revenue Contribution to Capital Outlay (£0.9m) is made directly from the HRA rather than passing through this account.

2. Balance on Account

This non-statutory account was closed 31 March 2012 and the remaining balance of £1.7m transferred to the HRA then transferred to a new reserve, the HRA Capital Investment Reserve, for future investment to provide homes.

COLLECTION FUND

This statement details the transactions relating to the collection of council tax and national non-domestic rates (NNDR). The Council acts as an agent to collect council tax on behalf of Warwickshire County Council and the Office of the Warwickshire Police and Crime Commissioner and NNDR on behalf of the Government.

Council Tax £000	2011/12		Notes	2012/13			
	NNDR £000	Total £000		Council Tax £000	NNDR £000	Total £000	
INCOME							
(71,702)	-	(71,702)	Income from Council Tax (net of benefits)		(72,862)	-	(72,862)
(7,997)	-	(7,997)	Transfers from General Fund: - Council Tax Benefits		(7,707)	-	(7,707)
-	(60,680)	(60,680)	Income Collectable from Business Ratepayers		-	(62,625)	(62,625)
-	-	-	Contributions towards earlier years' Collection Fund Deficit:				
-	-	-	- Warwickshire County Council	(193)			
-	-	-	- The Office of the Warwickshire Police and Crime Commissioner	(29)			
-	-	-	- Warwick District Council	(28)	(250)	-	(250)
(79,699)	(60,680)	(140,379)	TOTAL INCOME		(80,819)	(62,625)	(143,444)
EXPENDITURE							
61,529	-	61,529	Precepts and Demands:				
			- Warwickshire County Council	4	61,760		
			- The Office of the Warwickshire Police and Crime Commissioner	4	9,674		
9,272	-	9,272		4	9,022		
8,939	-	8,939	- Warwick District Council			80,456	80,456
			Business Rates:				
-	60,465	60,465	- Payment to National Pool			62,411	62,411
-	215	215	- Warwick District Council: Cost of Collection Allowance			214	214
198	-	198	Bad Debts and Appeals re Council Tax Write-offs		140		
100	-	100	Provision for Bad Debts and Appeals		-	140	140
80,038	60,680	140,718	TOTAL EXPENDITURE		80,596	62,625	143,221
339	-	339	Net (Surplus) / Deficit for Year		(223)	-	(223)
BALANCES							
(18)	-	(18)	(Surplus) / Deficit Balance 1 April		321	-	321
339	-	339	(Surplus) / Deficit for Year		(223)	-	(223)
321	-	321	(Surplus) / Deficit Balance 31 March	5	98	-	98

NOTES TO THE COLLECTION FUND

1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The account is consolidated within the Council's accounts.

2. Council Tax

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings. It was calculated as follows:

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Dwellings
@	13.50	5 / 9	7.50
A	3,635.70	6 / 9	2,423.80
B	9,121.24	7 / 9	7,094.30
C	14,096.36	8 / 9	12,530.10
D	10,818.90	9 / 9	10,818.90
E	6,130.88	11 / 9	7,493.30
F	4,411.94	13 / 9	6,372.80
G	3,573.48	15 / 9	5,955.80
H	355.75	18 / 9	711.50
	52,157.75		53,408.00

Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties

52.83

COUNCIL TAX BASE 2012/13

53,460.83

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,504.96 the original estimated Council Tax income, including Council Tax Benefit, was £80.456m compared with the actual income credited to the Fund of £80.429m which is made up as follows:

	£'000
Council Tax (net of benefits, transitional relief, bad debts and write-offs)	(72,722)
Council Tax Benefits	(7,707)
INCOME FROM COUNCIL TAX 2012/13	(80,429)

3. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate of 45.8p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total rateable value of properties in the Warwick District area was £163,334,898 at 31 March 2013.

NOTES TO THE COLLECTION FUND

4. Names of Significant Preceptors on the Collection Fund

The following authorities made significant demand on the Collection Fund during 2012/13:

Warwickshire County Council	£61,760,397.81
The Office of the Warwickshire Police and Crime Commissioner	£9,764,246.95
Warwick District Council	£9,021,776.00

NOTES TO THE COLLECTION FUND

5. Accounting for the Collection Fund

The Code requires the collection of council tax and NNDR to be treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances of arrears, prepayments and bad debt provisions are apportioned out and only the Council's elements are included in the Balance Sheet in their respective groups. The net amounts attributable to the other major preceptors and central government are included as either debtors or creditors depending on the net position for each.

COLLECTION FUND 31st March 2012

COLLECTION FUND 31st March 2013

Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. PCC £'000	Central Govt. £'000		Balance Sheet	Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. PCC £'000	Central Govt. £'000
					Arrears						
1,830	205	1,405	220	-	Council Tax	Debtors	2,120	239	1,626	255	-
1,087	-	-	-	1,087	NNDR	Debtors	1,323	-	-	-	1,323
					Impairment Allowance for Doubtful Debts						
(506)	(57)	(388)	(61)	-	Council Tax	Bad Debts	(506)	(57)	(388)	(61)	-
(665)	-	-	-	(665)	NNDR	Debtors	(750)	-	-	-	(750)
					Overpayments and Prepayments						
(697)	(78)	(535)	(84)	-	Council Tax	Creditors	(709)	(80)	(544)	(85)	-
(673)	-	-	-	(673)	NNDR	Debtors	(643)	-	-	-	(643)
					Collection Fund Balance						
247	-	247	-	-	Warwickshire County Council	Creditors	75	-	75	-	-
38	-	-	38	-	The Office of the Warwickshire Police and Crime Commissioner	Creditors	12	-	-	12	-
36	36	-	-	-	Warwick District Council	Coll. Fund	11	11	-	-	-
					NNDR Pool						
(738)	-	-	-	(738)	Balance	Debtors	(1,462)	-	-	-	(1,462)
					Balance Sheet:						
58	205	729	113	(989)	Debtors		(403)	239	769	121	(1,532)
(78)	(78)	-	-	-	Creditors		(80)	(80)	-	-	-
(57)	(57)	-	-	-	Bad Debts		(57)	(57)	-	-	-
36	36	-	-	-	Collection Fund Adjustment A/c		11	11	-	-	-

GLOSSARY

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

Accruals

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

Actuarial gain (loss)

The changes in the pension fund's deficits or surpluses that arise because of:

- a) Events have not coincided with the assumption used by the actuary when carrying out the previous triennial valuation of the fund; or
- b) The actuary changing the assumptions used in the current triennial valuation exercise from those used previously.

Agency

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

Amortisation

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

Asset

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

Band D Equivalent

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

Best Value

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

Billing Authority

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

Budget

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

Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

Capital Adjustment Account

Resources set aside to meet past capital expenditure.

Capital programme

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

GLOSSARY

Capital receipt

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

Capital spending

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

Capital spending charged to revenue

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

Cash-flow statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

CIPFA

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

Collection Fund

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

Contingent liability

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

Corporate and democratic core

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

Council Tax

A tax charged on domestic householders based on their property band. There are eight bands of property values. The amount paid will depend on which band your property is in. There is a reduction for empty properties or if you live on your own. In Warwickshire, the District or Borough Council issues Council Tax bills and collects the Council Tax.

Council Tax Base

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

Creditors

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

Current assets

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

Current liabilities

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

GLOSSARY

Current service cost

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

Current spending

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

Curtailment costs

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

Debtors

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

Depreciation

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

Earmarked reserves

Money set aside for a specific purpose.

Fair Value

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

Financial Reporting Standard (FRS)

Recommendations on the way we need to treat certain items in our accounts.

General reserves

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

Government grants

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

Gross spending

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

International Financial Reporting Standards (IFRS)

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

Inventories

Goods bought which have not yet been used.

Leasing

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

Liabilities

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

Loss

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

GLOSSARY

Material related-party transactions

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

Minimum revenue provision (MRP)

The statutory minimum amount by which the Council must set aside each year to repay loans.

Net book value

The value of an asset after depreciation.

Net spending

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

Non-distributed costs

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

Notional

An accounting entry where there is no actual cash transfer.

Operating leases

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

Overheads

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

Past service costs

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

Pensions interest cost and expected return on assets

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

Petty Cash

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

Precept

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

Property, Plant and Equipment

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

Provisions

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

Prudential Code

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

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and

Treasury management decisions are taken in accordance with professional good practice.

GLOSSARY

Rateable Value (RV)

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

Reconciliation

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

Reimbursements

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

Reserves and funds

Savings we have built up from surpluses.

Revaluation Reserve

Store of gains on the revaluation of fixed assets.

Revenue spending

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

Revenue Support Grant

The main government grant to support local authority services.

Soft Loans

Loans made at less than the market rate of interest.

Specific grants

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

Surplus

The remainder after taking away all expenses from income.

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

Opinion on the Authority financial statements

We have audited the financial statements of Warwick District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Warwick District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2013 issued on 27 September 2013 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Warwick District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

Issue of value for money conclusion

In our audit report for the year ended 31 March 2013 issued on 27 September 2013 we reported that, in our opinion, in all significant respects, Warwick District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

In our report dated 27 September 2013, we explained that we could not formally conclude the audit on that date until our consideration of matters brought to our attention by local authority electors had been completed. These matters have now been dealt with. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the financial statements of Warwick District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

3 February 2014

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

- 1.1 Warwick District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Warwick District Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Warwick District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.
- 1.3 Warwick District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the code is on our website at www.warwickdc.gov.uk or can be obtained in hard copy form on request from the Audit and Risk Manager.
- 1.4 This statement explains how Warwick District Council has complied with the code and meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. 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, cost-effective services.
- 2.2 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 policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwick District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Warwick District Council for the year ended 31st March 2013 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems, processes and activities that comprise the Authority's governance arrangements are as follows:

3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

- 3.1.1 In October 2010 the Council adopted Fit For the Future (FFF), its strategic response to dealing with the challenges of reduced income and rising customer expectations and demand. FFF provides an organisational framework to help the Council make progress towards its organisational purpose "To make Warwick District a great place to live, work and visit". It sets out a range of activities, interventions and projects falling into two broad areas:

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- a) Activities that are designed to improve societal outcomes directly for our communities. Most of these are being developed jointly with the Council's partners and relate to one or more of the priority or cross cutting themes of the Sustainable Community Strategy (SCS). The Council will be reviewing the SCS to ensure that it reflects the changed economic circumstances. A report will be considered by Executive in the Autumn.
- b) Activities that are designed to improve our organisation and the services provided by the Council. These activities aim to bring about the following improvements:
 - i) delivering a balanced budget; whilst
 - ii) improving the services we provide to customers; and
 - iii) helping develop our organisation and culture so that we are better able to improve continuously.

3.1.2 FFF was formulated following an extensive period of consideration and consultation which took account of:

- Warwick District Council's values;
- the political ambitions of the Council's ruling Administration;
- the Warwick Partnership Sustainable Community Strategy (for Warwick District);
- a Systems Thinking approach to service design;
- an organisational design focusing on People and Place;
- the state of public finances;
- information on the quality of life in Warwick District;
- information from the most recent Citizens' Panel Survey;
- Strategy rationalisation;
- views of Members, staff, unions and various stakeholders and partners.

3.1.3 A comprehensive governance framework is in place to manage the progress of FFF on an ongoing basis. Measures are used to track the Council's progress.

3.1.4 Delivering the cultural change envisaged in Fit For the Future: Fit For the Future has three strands, covering the financial challenge, service quality and cultural change. Last year's review of the Council's governance arrangements reported that, whilst robust plans are in place to address the first two, the organisation needed to make progress in addressing the third. Cultural change was regarded as essential in achieving the first two strands and in achieving the Council's objectives overall.

3.1.5 Consequently, a plan of action to drive cultural change has been developed with the Senior Management Team (SMT) and was rolled out as part of the Chief Executive's annual presentation to employees in March 2013. Although there is a feeling that cultural change is happening, the Corporate Management Team (CMT) consider that such change needs to be speeded up and more encompassing across the organisation. An update on progress is to be set out as part of overall update on Fit for the Future to go to Council on 19 June 2013. (Action 1)

3.1.6 There is also a concern that Members are not sufficiently engaged in the change process. Steps need to be taken, therefore, to address that. (Action 2)

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3.1.7 The Council's Portfolio Holders each publish an annual statement identifying and communicating the Council's priorities for the year. The statements are approved by Executive and published on the Council's website.

3.1.8 Progress in achieving the Council's objectives is communicated to the local community via the website.

3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements

3.2.1 The SCS has a vision of improving the quality of life for all the residents of Warwick district by making the district a great place to live, work and visit. Following Warwick District Council's adoption of the SCS a review of its own Corporate Strategy was undertaken. The culmination of the review was the production of FFF as described in 3.1 above. The review of the SCS will undoubtedly have an impact on FFF and so this will need to be updated accordingly.

3.2.2 The review has not encumbered the Council's constitutional governance arrangements that can be summarised as follows:

- Council is the ultimate decision making body for those matters that have not been delegated to Executive, specific officers or are required to be taken at Council level by law.
- Executive will make decisions in respect of the majority of Council matters or make recommendations to the Council.
- Overview and Scrutiny Committee will have oversight responsibility for policy development and performance monitoring whilst Finance and Audit Scrutiny Committee will oversee the adequacy of the Council's risk management and control frameworks, especially that of financial control.

3.2.3 Progress has been made in engaging the Scrutiny Committees in a new approach to scrutiny, particularly in the area of Partnerships, Service Area Plans and most especially for Service Risk Registers. There is to be further focus on ensuring outcomes are achieved, rather than concentrating on process and meeting artificial targets.

3.3 Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources

3.3.1 Performance monitoring and reporting mechanisms ensure performance management is embedded into the core management structures of the organisation. The Council has moved away from performance targets as it is considered that these act as a barrier to the ethos of continuous improvement. In their place the Council is using key performance measures such as 'no. of violent crimes' and 'no. of drainage notices served' to track service delivery progress. Key customer performance measures are identified in the Service Plans and Portfolio Holder Statements.

3.3.2 The Council is committed to actively consulting and involving the public in improving services. It measures regularly the experience of users of its services and gathers citizens' opinions on a variety of subjects. To this end, it employs various devices including: Residents surveys, Simalto annual Housing Services survey, Customer Service surveys, Community Forums, online polls and online consultations. (Simalto is a budget and prioritisation decision-making tool where participants make choices between different scenarios.)

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- 3.3.3 Previously, the Council's performance management system was based on comparing actual results to targets.
- 3.3.4 The Council has adopted a new approach that does not use targets as a basis for monitoring. We measure things to learn about how well we are delivering our purpose and what matters to customers and to enable us to understand what we need to do to improve continuously. To this end, service areas gather data against measures identified during the Service Ares Planning process.
- 3.3.5 Where service falls below customer expectations it often manifests itself in complaints. The Complaints Policy has recently been reviewed and updated. Training sessions have been provided by the Local Government Ombudsman for relevant frontline and investigating officers. As a result of last year's review of the Council's governance arrangements, Members now review customer complaints trends through the performance management system.
- 3.3.6 Benchmarking is seen as a key tool for managing performance through comparing process and cost with others. Finance services such as accountancy, internal audit, treasury management, payroll and debtors are regularly benchmarked against other local authorities in terms of price and performance. Not all services, however, have embraced it.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and other functions, with clear delegation arrangements and protocols for effective communication.

- 3.4.1 The Constitution sets out the respective responsibilities of Members and Officers through Codes and Protocols. It sets out the terms of reference for the Council and all of the Council's Committees. The Executive reviews the Constitution on an ongoing basis and ensures the levels of delegation are appropriate. The Council's Constitution, the Code of Conduct for Members and the Employees Code of Conduct are all in the process of being reviewed and this should be completed early in 2013/14. (Action 3)
- 3.4.2 A management matrix shows the relationship between Portfolio Area and Service Area. This has been communicated to all service managers and is used as part of the induction programme for new staff.

3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- 3.5.1 The Constitution contains a Protocol and Codes of Conduct for Members and Officers. All new Members and Officers receive a copy of their respective Codes. Although the Officer Code was reviewed last year it is currently undergoing a more fundamental review. At the conclusion of this process it will be presented to the Council's Employment Committee for approval. There is a regular review of Member interests (detailed on the Council's website) by the Standards Committee and a six-monthly review by SMT of officer interests and declarations of gifts and hospitality. Staff are reminded annually through their payslip of the need to make declarations for conflicts of interest. There is an Anti-Fraud and Corruption Policy that each year is reviewed by Finance & Audit Scrutiny Committee. All new staff receive training on the Policy as part of the induction process and it is brought to the attention of all staff annually through the Council's internal information Portal (known as WaSP).
- 3.5.2 The Council's Information Security & Conduct Policy (ISCP) defines the Council's standards of behaviour when using ICT equipment or managing information. In addition, the ISCP also includes 'acceptable use' policies. The ISCP is communicated

ANNUAL GOVERNANCE STATEMENT

to staff during the induction process and when a major revision has occurred. Individual aspects of the policy are also highlighted to staff via the 'Core Brief' or the Council's Intranet.

- 3.5.3 The Authority agreed new Organisational Values in 2007 and these are now reflected in the Competency Framework that is a fundamental part of the staff appraisal and development process. The Organisational Values have been a key element in the development of FFF.

3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which define clearly how decisions are taken and the processes and controls required managing risks

- 3.6.1 The Code of Financial Practice and the Code of Procurement Practice form part of the Council's Constitution.
- 3.6.2 Following thorough reviews, both the Code of Financial Practice and the Code of Procurement Practice were updated in March 2013. Training will need to be provided to officers on these Codes, particularly in the areas where changes have been made. (Action 4)
- 3.6.3 Training on the Code of Procurement Practice was offered last year to members but take-up was not as comprehensive as required. Discussion with Members on this issue highlighted a need for Members training to be organised in a proactive, planned fashion, rather than by reacting to events as they arise. (Action 5)
- 3.6.4 A Procurement Strategy has been agreed by the Council and an annual Procurement Action Plan is monitored by Finance & Audit Scrutiny Committee. The Plan is overseen by the Procurement Manager who champions procurement issues across the Council.
- 3.6.5 Finance & Audit Scrutiny Committee has taken a keen interest in procurement forming a Procurement Working Party of three members that has helped raise the profile of the function throughout the organisation.
- 3.6.6 In March 2010 Executive agreed extra officer resource to help enable the authority to realise further savings from continued improved procurement. Monitoring of the savings is part of the Council's budget/financial monitoring process.
- 3.6.7 A uniform report template sets out the standard information required for a Committee decision to be taken, and a protocol is in place for officer attendance at Committees. There are guidance notes for officers on writing reports. The template and associated guidance have been updated to reflect FFF.
- 3.6.8 Committee Services has identified the need to set up a system to monitor the implementation of decisions. Appropriate software has been installed allowing this to happen but other work demands have left the initiative outstanding. CMT has identified the need to record better the comments of officers involved in the development of reports. (Action 6)
- 3.6.9 The process for Executive report approval has been reviewed as part of the Systems intervention in Committee and some minor amendments made to improve the process.
- 3.6.10 The Council's Risk Management Policy Statement and Strategy is updated annually and reported to Finance & Audit Scrutiny Committee. This explains the methodology that provides a comprehensive framework for the management of risk throughout the

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Council. A cross-departmental Risk Management Group meets quarterly to help embed risk management across the Authority. High level corporate risks are set out in the Significant Business Risk Register (SBRR) which is reviewed quarterly by SMT and then by Executive via Finance & Audit Scrutiny Committee. Operational risks are recorded on service risk registers. A programme of review for these by Finance & Audit Scrutiny Committee has been established that has substantially helped to raise awareness of good risk management. During 2011/12 the FFF programme had its own risk register but these are now incorporated within the SBRR.

- 3.6.11 Last year's review of the Council's governance arrangements reported that, although service and strategic risks are captured and assessed, there is not a consistent approach and embedded approach to risk-assessing new projects. It was noted that this was particularly important where third parties were involved. The arrangements now are that each new major project is signed-off by Executive and the supporting business case will include a Risk Register.

3.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practice for Local Authorities

- 3.7.1 The core functions of an audit committee are delivered by the Authority's Finance & Audit Scrutiny Committee. These are set out in its terms of reference approved by the Executive.
- 3.7.2 The main purposes of the Finance & Audit Scrutiny Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and to oversee the financial reporting process.
- 3.7.3 In addition to the main purposes of the Finance & Audit Scrutiny Committee it also:
- Approves (but not directs) Internal Audit's strategy and annual plan and reviews its performance;
 - Reviews summary Internal Audit reports and the main issues arising and seeks assurance that action has been taken where necessary;
 - Considers the reports of external audit and inspection agencies;
 - Considers the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
 - Seeks assurances that action is being taken on risk related-issues identified by auditors and inspectors;
 - Satisfies itself that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
 - Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
 - Reviews the financial statements, external auditor's opinion and reports to members and monitors management action in response to the issues raised by external audit.

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3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- 3.8.1 Compliance with law and regulation is assisted by recruiting suitably qualified staff and having job descriptions and personal specifications for all posts. All senior managers receive a local government briefing to alert them to changes in the external regulatory framework and major changes are identified for reports to the Executive or Council as appropriate. As part of the service planning process the impact of new laws is addressed.
- 3.8.2 SMT will monitor compliance with internal policies from time to time; examples are the annual review of appraisals undertaken; compliance with health and safety policy; Equality and Diversity annual report. Internal Audit will identify any key policies that might need to be tested as part of any audit.
- 3.8.3 To ensure expenditure is lawful the Council agrees detailed budgets. Managers responsible for the budgets are required to sign acceptance of them. The Code of Financial Practice and Code of Procurement Practice set out procedures to ensure lawful expenditure. Both Finance staff and the Chief Financial Officer are required to sign off Committee reports to ensure relevant financial issues have been addressed. Where appropriate, reports are considered by the Council's shared Legal Service. All Executive reports are considered by the Council's Monitoring Officer.
- 3.8.4 Establishing a shared Legal Service with the County Council has meant that arrangements have been put in place whereby there is a responsibility for the relevant Head of Service to satisfy themselves as to the legality of any recommendation and if there is any doubt seek advice.
- 3.8.5 The Council publishes a Forward Plan on a monthly basis that contains details of all decisions to be made by the Executive.

3.9 Whistle-blowing and arrangements for receiving and investigating complaints from the public

- 3.9.1 An Anti-Fraud and Corruption Strategy and a Whistle-blowing Policy and Procedure are in place. Both documents are reviewed annually by Finance & Audit Committee and publicised widely, including on the Council's website.
- 3.9.2 The Anti-Fraud and Corruption Strategy comprises a series of measures and procedures that are designed to frustrate any attempted fraudulent or corrupt acts. This includes:
- Establishing the appropriate culture
 - Appointing statutory officers
 - Maintaining a Council committee structure which reviews decisions, examines specific issues and promotes high standards, as well as investigating alleged breaches of the code of conduct
 - Recruiting and retaining high calibre staff
 - Establishing relevant procedures and codes that form the Council's overall control framework
 - Exchanging information with other bodies
 - Undertaking a comprehensive approach to the preparation of the Annual Governance Statement.
- 3.9.3 The Strategy also describes the arrangements for investigating allegations of wrongdoing.

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- 3.9.4 The Whistle-blowing Policy provides a channel for those that have serious concerns about any aspect of the Council's work to come forward and express those concerns anonymously and safely.
- 3.9.5 The policy aims to:
- Encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice
 - Provide avenues for employees to raise those concerns and receive feedback on any action taken
 - Ensure that employees receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied
 - Reassure employees that they will be protected from possible reprisals or victimisation if they have reported their concerns in good faith.
- 3.9.6 The policy gives examples of the possible concerns that may exist, how these should be raised and how the Council will respond. In the event of dissatisfaction, other avenues for raising concerns are also set out within the policy.
- 3.9.7 This includes the Council's confidential telephone helpline 'in touch'.
- 3.9.8 The Council has a Complaints Policy that describes how members of the public can make a complaint. All investigating officers have attended the LGO training course on effective complaint handling. If a complainant is dissatisfied with the outcome of the initial investigation they can request that the complaint be investigated again. This will be by an officer outside of the service to which the complaint relates. If the complainant is still dissatisfied they have the right to have the complaint referred to the Local Government Ombudsman for investigation and resolution.
- 3.10 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**
- 3.10.1 There is a Members' Development Programme agreed by the Members' Development Group and Employment Committee.
- 3.10.2 Training for senior officers is identified through the induction programme and on an ongoing basis through the competency and personal development framework process that requires a review of development needs.
- 3.10.3 CMT are encouraged to attend appropriate training courses organised by the Society of Local Authority Chief Executives (SOLACE) whilst all senior managers are encouraged to attend relevant professional seminars and conferences.
- 3.10.4 As identified earlier, training for senior officers and members is required in the areas of contract and financial management.
- 3.10.5 Last year's review of governance arrangements identified a need to provide training for Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively. A Member Development Group was set up to examine this and draft remits for Councillors so that training needs could be identified. This action is outstanding and therefore needs to be carried forward. The issue is related to that discussed within paragraph 3.6.3 and will therefore now form part of Action 5.

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3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- 3.11.1 Locality Working, which has extended the remit of the local neighbourhood policing forums to cover the totality of local government working (District, County and Parish/Town) along with the Primary Care Trust and Voluntary and Community Sector, is now active in all parts of the District through the operation of 7 Community Forums. Forum attendees identify community priorities and allocate resources provided by the District and County Councils to specific projects.
- 3.11.2 The Community Engagement Strategy was developed on behalf of the Warwick Partnership Group as a means of enabling a dialogue between communities and public sector organisations. The Warwick Partnership led on the Community Engagement Strategy for Warwick District. As a result of the changes in the partnership landscape, however, the Community Engagement Strategy is no longer required. The focus is now on the adoption of a set of principles and values that will govern the community engagement work. In addition, the link with the Engaging Communities Co-ordination Project overseen by Warwickshire Community and Voluntary Action (WCAVA) provides a means for the Council to engage with communities of interest.
- 3.11.3 In recent years the Council consulted the Citizen's Panel on its proposed budget, council tax and the allocation of resources. During 2011/12, however, a consultancy firm was commissioned using the Simalto modelling approach to obtain residents' views on future spending decisions. This research method involves face-to-face interviews.
- 3.11.4 The Executive considered the results of the consultation and has incorporated changes where possible within medium term financial projections. This includes increasing the allocations of travel tokens and retaining all one stop shops.
- 3.11.5 The Simalto consultation is not intended to be carried out annually and is next planned for 2014.
- 3.11.6 The Mosaic methodology is also used to classify socio-demographic datasets. ('Mosaic' is a customer classification tool based on in-depth demographic data.)
- 3.11.7 A Channel Strategy based on understanding customer behaviour and their needs has been drafted. The channels our customers use vary from more traditional ones like face-to-face and telephone to newer channels like social media and mobile web access. The strategy ensures we are focusing our resources on the channels and services that are important to our customers.
- 3.11.8 There is a view that there is room for improvement in the way that the Council's services are publicised and promoted. An overarching Communications Strategy is required for the organisation to examine this and guide improvements. (Action 7)
- 3.11.9 As a result of last year's review of the Council's governance arrangements, a review took place during the year of the way that the Planning Committee operates. The review was reported to Executive in April 2013.

3.12 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements

- 3.12.1 The Council has updated its policy for managing its partnership arrangements. The governance arrangements for all partnerships have been reviewed with all lead

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officers being required to complete a Partnership Checklist to identify any governance weaknesses. All new partnerships must be approved by Executive with a partnership checklist accompanying the report presented to the Executive.

- 3.12.2 The Scrutiny Committees also have a role for reviewing the effectiveness of partnerships. This work has enabled Scrutiny Committees to play a valuable role in ensuring that the Council's partnerships remain effective and are value for money.
- 3.12.3 Last year's review of governance arrangements found that formal agreements such as a memorandum of understanding or service level agreement are not applied consistently to all shared service arrangements. No new shared service arrangements were created in 2012/13 although current agreements are kept under review.

4. REVIEW OF EFFECTIVENESS

- 4.1 Warwick District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:
- the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment;
 - the Audit & Risk Manager's annual report; and
 - comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:
- 4.3 The Council**
- 4.3.1 The Council is responsible for agreeing the changes to the Constitution that have been developed during the year. This Annual Governance Statement is also reported to the Council when it approves the financial statements.
- 4.4 The Executive**
- 4.4.1 The Code of Corporate Governance brings together in one document all the governance and accountability arrangements which the Council currently has in place and highlights areas where more work is required. The Executive last agreed the Code of Corporate Governance in March 2008. Although it is endorsed by Standards Committee each year it is due for a thorough review. (Action 8)
- 4.5 The Finance & Audit Scrutiny Committee and the Overview and Scrutiny Committee**
- 4.5.1 The Council has delegated to Finance & Audit Scrutiny Committee responsibility for discharging the functions of an audit committee. Its main purposes are to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the authority's financial and non-financial performance; and oversee the financial reporting process.
- 4.5.2 Each quarter the committee reviews the findings from Internal Audit assignments completed during those periods, whilst annually it receives a report on the effectiveness of Internal Audit. It also considers reports from external audit and other review agencies as and when they are issued.

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

4.6 The Standards Committee

4.6.1 The Code of Corporate Governance and the requirement to produce an Annual Governance Statement has led to responsibility for Corporate Governance, and the review of the Annual Governance Statement, being explicitly recognised in the terms of reference of the Standards Committee.

4.7 Internal Audit

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

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

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

4.7.4 A peer review of the service was undertaken during the previous year with the result that some areas for improvement were identified. An action plan was produced and progress in addressing the items was reported regularly to Finance & Audit Scrutiny Committee.

4.7.5 The Internal Audit Section is subject also to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

4.7.6 Updated Public Sector Internal Audit Standards were issued in early 2013. The requirements and full impact of these are being assessed and will be reported to Members early in 2013/14. (Action 9)

4.8 Other review/assurance mechanisms

4.8.1 The Scrutiny Committees, the Standards Committee and External Audit contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use has been made of other review agencies such as peer assessors from the West Midlands Local Government Association. The Council commissioned a Peer Review during the year by the West Midlands Local Government Association. In addition, the Executive received mentor support from a leading external Councillor.

4.8.2 The Council is audited annually to ensure it meets a set of mandatory information assurance requirements set by central government called the Code of Connection (CoCo). CoCo requires local authorities to provide a compliance statement that

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documents how their information technology meets baseline requirements that are adopted from ISO 27001. The effective use of ICT Resources is critical in the efficient delivery of Council services to its citizens. To ensure these resources are aligned the authority's vision, new governance arrangements were introduced to manage the Council's ICT Resources, the creation of an ICT Steering Group. ICT Resource allocation is directly aligned to Council priorities and appropriate reporting and monitoring arrangements have been put in place.

- 4.8.3 The Council has also been Investors In People accredited since the 1998 and received Bronze accreditation in 2011. A number of services are externally accredited against specific standards. Food Safety's ISO9000 quality management system was re-accredited during the year. In addition, Housing & Property Services achieved the Telecare Services Association's Platinum Standard and Cultural Services' leisure centres continue to be Approved Training Centres for the Institute of Qualified Lifeguards. The Plain English Campaign awarded the Council website its Internet Crystal Mark standard. The Council also received during the year the 'Positive About Disability' Award for its employee recruitment and selection processes. The Council's website was also awarded Digital Accessibility Centre Accreditation.

5. SIGNIFICANT GOVERNANCE ISSUES

- 5.1 Governance issues that are identified for improvement are set out below. The actions have been identified from the processes involved in producing the statement (e.g. meeting with committee chairs) and from the sources of evidence supporting it (e.g. service assurance statements).
1. A report providing an update on progress in implementing cultural change as part of Fit for the Future to be issued to Council on 19 June 2013. (3.1.5)
 2. Members to be engaged in the cultural change process. (3.1.6)
 3. The Council's Constitution, the Code of Conduct for Members and the Employees Code of Conduct to be reviewed and updated. (3.4.1)
 4. Training to be provided to officers on both the Code of Financial Practice and the Code of Procurement Practice. (3.6.2)
 5. Members' training requirements to be determined through a rigorous skills gap analysis and training delivered to match identified needs. (3.6.3)
 6. A system to be developed to monitor the implementation of decisions and record the comments of officers involved in producing reports. (3.6.8)
 7. A new communications strategy to be developed and implemented, including steps for publicising and promoting the Council's services better. (3.11.8)
 8. The Code of Corporate Governance to be reviewed and updated. (4.4.1)
 9. The impact of the Public Sector Internal Audit Standards to be reported to Finance & Audit Scrutiny Committee early in 2013/14. (4.7.6)

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

Signed:

Michael Doody
Leader of the Council

Chris Elliott
Chief Executive

Dated:

24 June 2013

24 June 2013
