

**To: Leader and Members of the Executive Board  
(Councillors D Humphreys, Bell, Farrell, Gosling, Hayfield, McLauchlan, Rose, Reilly, Simpson and D Wright)**

**For the information of other Members of the Council**

**For general enquiries please contact the Democratic Services Team on 01827 719221 or 719450 or via e-mail – [democraticservices@northwarks.gov.uk](mailto:democraticservices@northwarks.gov.uk)**

**For enquiries about specific reports please contact the officer named in the reports.**

**The agenda and reports are available in large print and electronic accessible formats if requested.**

## **EXECUTIVE BOARD AGENDA**

**17 JUNE 2019**

The Executive Board will meet in the Committee Room at the Council House, South Street, Atherstone, Warwickshire on Monday, 17 June 2019 at 6.30pm

### **AGENDA**

- 1 Evacuation Procedure**
- 2 Apologies for Absence / Members away on official Council business.**
- 3 Disclosable Pecuniary and Non-Pecuniary Interests**

- 4 **Minutes of the meetings of the Board held on 11 February and 24 April 2018** – copies herewith to be agreed as a correct record and signed by the Chairman.

5 **Public Participation**

Up to twenty minutes will be set aside for members of the public to put questions to elected Members. Questions should be submitted by 9.30am 2 working days prior to the meeting. Participants are restricted to five minutes each. If you wish to put a question to the meeting please contact the Democratic Services Team on 01827 719221 or 719450 or email [democraticservices@northwarks.gov.uk](mailto:democraticservices@northwarks.gov.uk).

## **ITEMS FOR DISCUSSION AND DECISION (WHITE PAPERS)**

- 6 **Capital Programme - 2018/19 Final Position** – Report of the Corporate Director - Resources

**Summary**

The purpose of this report is to update Members on the position of the 2018/19 Capital Programme at the end of March 2019.

The Contact Officer for this report is Daniel Hogan (719337).

- 7 **Capital Accounts 2018/19** – Report of the Corporate Director - Resources.

**Summary**

The capital accounts for 2018/19 have been prepared. This report shows expenditure for the year, together with the methods of funding used.

The Contact Officer for this report is Nigel Lane (719371).

- 8 **Earmarked Reserves 2019/20** – Report of the Corporate Director - Resources

**Summary**

The Council holds a number of reserves to meet future expenditure, other than the General Fund and Housing Revenue Account. This report informs Members of the balances on these reserves at 31 March 2019, subject to audit, and updates the proposed use of reserves in 2019/20.

The Contact Officer for this report is Sue Garner (719374).

- 9 **Annual Governance Statement 2018/19 – Report of the Corporate Director -Resources**

**Summary**

The Annual Governance Statement sets out the arrangements the Council has put in place for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. These ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for and is used economically, efficiently and effectively.

The Contact Officer for this report is Sue Garner (719374).

- 10 **Financial Statements 2018/19 – Report of the Corporate Director - Resources**

**Summary**

The Financial Statements for 2018/19 have been completed. This report highlights the position on the General Fund and Housing Revenue Account, compared with the estimated position previously reported. The accounts have not yet been audited, and may need some adjustment following the completion of the audit later in the year.

The Contact Officer for this report is Sue Garner (719374).

- 11 **Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April 2018 - March 2019 – Report of the Acting Chief Executive**

**Summary**

This report informs Members of the progress with the achievement of the Corporate Plan and Performance Indicator targets relevant to the Executive Board for April 2018 to March 2019.

The Contact Officer for this report is Robert Beggs (719238).

- 12 **Minutes of the meeting of the Safer Communities Sub-Committee held on 12 March 2019, to be received and noted**

Steve Maxey  
Acting Chief Executive



## NORTH WARWICKSHIRE BOROUGH COUNCIL

### MINUTES OF THE EXECUTIVE BOARD

11 February 2019

Present: Councillor Humphreys in the Chair

Councillors Bell, Chambers, N Dirveiks, Farrell, Hayfield, Phillips, Reilly, Simpson and D Wright

Councillors Jarvis and Symonds were also in attendance.

#### 53 **Declarations of Personal or Prejudicial Interest.**

Councillors Reilly, Bell, Hayfield and N Dirveiks declared interests in item 70 by virtue of being Warwickshire County Councillors, and Councillor Reilly by virtue of his portfolio on the County Council's Cabinet. Councillor Reilly did not vote on that item.

#### 54 **Minutes of the meeting of the Board held on 19 November 2018**

The minutes of the meeting of the Board held on 19 November 2018, copies having been circulated, were approved as a correct record and signed by the Chairman.

#### 55 **External Auditor Plan 2018/19**

The Corporate Director - Resources informed Members of the external auditors plan for their work related to the 2018/19 financial year.

**Recommended:**

**That the contents of the external auditors plan and report be noted.**

#### 56 **Modern Slavery Act 2015 Charter**

The Director of Corporate Services informed Members about the Modern Slavery Act 2015 and sought comments on and approval for the actions suggested to help implement the Charter against Modern Slavery.

**Recommended:**

**That the actions laid out in the Charter, as detailed in paragraph 4.2 of the report of the Director of Corporate Services, be approved.**

**57 Parental Leave for Councillors**

The Corporate Director – Resources gave some information on parental and adoption leave for Councillors and support for other caring commitments, for Members' consideration.

**Resolved:**

**That a Members' Task and Finish Group of 5 Members (3 Conservative and 2 Labour) be established to look at a number of the issues raised in the report.**

**58 Corporate Plan 2019-20**

The Chief Executive presented the Corporate Plan for 2018/19. Members were also asked to agree the 2019/20 Service Plan for the Corporate Director – Environment.

**Recommended:**

- a Subject to the comments from the Chairman of the Planning Board and the Opposition Spokesman with regard to targets within the terms of reference of that Board, that the Corporate Plan Targets, as set out in Appendix A to the report of the Chief Executive be agreed, subject to:
  - (i) Any amendments recommended by the Safer Communities Sub-Committee at its meeting on 12 March 2019; and**
  - (ii) Any further amendments which may be needed as a result of the adoption of the 2019-20 budget;****
- b That the Chief Executive be given delegated authority to finalise the format of the Plan; and**
- c That the Service Plan for the Corporate Director – Environment, as set out in Appendix B to the report of the Chief Executive, be agreed.**

**59 The Capital Strategy**

The Corporate Director – Resources reported on updates to the Capital Strategy approved by the Council in February 2018.

**Recommended:**

**That the Capital Strategy, attached at Appendix A to the report of the Corporate Director – Resources, be approved.**

**60 The Proposed 3 Year Capital Programme 2019/20 – 2021/22**

Management Team put forward proposals for the Three Year Capital Programme and outlined the availability of capital resources and the options to meet any shortfalls.

**Recommended:**

- a That the addition of £45,000 for the Borough Care Equipment upgrade be approved and the Revised Capital Programme for 2018/19 as set out in Appendix A, be adopted;**
- b That the 3 Year Capital Programme for the period 2019/20 to 2021/22 as set out in Appendix B, be adopted; and**
- c That the prudential indicators as set out in Section 9 of the report, be approved.**

**61 General Fund Revenue Estimates 2019/20**

The Corporate Director - Resources reported on the revised budget for 2018/19 and an estimate of expenditure for 2019/20, together with forward commitments for 2020/21, 2021/22 and 2022/23.

**Resolved:**

- a That the revised budget for 2018/19 be accepted; and**
- b That the Estimates of Expenditure for 2019/20, as submitted, be included in the budget to be brought before the meeting for consideration under Minute No. 62.**

**62 General Fund Revenue Estimates 2019/20 and Setting the Council Tax 2019/20**

The Corporate Director - Resources set out the proposed General Fund Revenue Estimate for 2019/20, and the options available when setting the 2019/20 Council Tax for the Borough in the context of the Authority's Settlement Funding Assessment, and the effect on General Fund balances.

**Recommended:**

- a That the savings of £338,300 shown in Appendix I of the report of the Corporate Director - Resources be approved;**
- b That revised estimate for the year 2018/19 and the revenue estimates for 2019/20 be approved;**
- c That the Council Tax base for 2019/20, as set out in Appendix G be noted;**
- d That the preferred Council Tax option for 2019/20 be agreed by Full Council;**
- e That the Corporate Director – Resources' comments on the minimum acceptable level of general reserves be noted;**
- f That the manpower estimates for the year 2019/20 are approved; and**
- g That a Council Tax resolution be prepared for consideration by the Council, using the recommendations agreed by this Board.**

**63 Review of Polling Districts, Polling Places and Polling Stations**

The Chief Executive sought approval for a process for the review of polling districts, polling places and polling stations in accordance with the Electoral Administration Act 2013 (EAA).

**Recommended:**

**That the Chief Executive be authorised to carry out a review of polling districts, polling places and polling stations in consultation with relevant Ward Councillors and other stakeholders and a report be submitted to Full Council following completion of the review.**



**64 Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April – December 2018**

The Chief Executive informed Members of the progress with the achievement of the Corporate Plan and Performance Indicator targets relevant to the Executive Board for April to December 2018.

**Resolved:**

**That the report be noted.**

**65 Pay Policy Statement 2019/20**

The Corporate Director - Resources reported on the requirement under Section 38 of the Localism Act 2011 for Councils to have and to publish a Pay Policy Statement, agreed by Full Council, which would be subject to review at least annually.

**Recommended:**

**That the Pay Policy Statement 2019/20 be adopted.**

**66 Progress of Local Plan**

The Corporate Director – Environment provided Members with the latest information in relation to the progress of the Local Plan.

**Resolved:**

**That the report be noted.**

**67 Minutes of the Safer Communities Sub-Committee held on 4 December 2018 and 31 January 2019**

The minutes of the meeting of the Safer Communities held on 4 December 2018 and 31 January 2019 were received and noted.

**68 Minutes of the Special Sub-Group held on 11 December 2018**

The minutes of the Special Sub-Group held on 11 December 2018 were received and noted.

**69 Exclusion of the Public and Press**

**Resolved:**

**That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.**

**70 Sub-Regional Materials Recycling Facility**

The Director of Streetscape and the Corporate Director – Resources sought Members’ support for a project to deliver a local authority owned and operated Materials Recycling Facility within the Coventry, Solihull and Warwickshire area designed to process recyclable material collected across the sub-region and beyond.

**Resolved:**

- a That Members welcomed the initiative and agreed to commit to delivering all suitable material collected from North Warwickshire Borough Council’s kerbside recycling scheme to the new Materials Recycling Facility once it is operational (on the terms set out in Section 5 of the report of the Director of Streetscape and the Corporate Director – Resources;**
- b That the Council be a Feed Stock Council at this stage of the project;**
- c That the Council continues to review its membership as more information becomes available; and**
- d That a presentation be arranged for the Community and Environment Board.**

**71 Senior Management Changes**

The Board was invited to consider interim managerial arrangements, pending the appointment of a new Chief Executive.

**Recommended:**

- a i That the Corporate Director – Environment be appointed as Returning Officer and Electoral Registration Officer, as recommended by the Appointments Sub-Committee as set out in paragraph 3.2 of the report of the Chief Executive;**

- ii That the Corporate Director – Environment be appointed to carry out the Proper Officer provisions, as set out in Appendix B to the report of the Chief Executive;**
- b That the review of the joint election arrangement with Nuneaton and Bedworth Borough Council be endorsed;**
- c That Nuneaton and Bedworth Borough Council’s Head of Elections and Senior Elections Officer be appointed as employees of the Council and they be given such delegated powers and authority as are needed to run the May Borough elections;**
- d That the Appointments Sub-Committee recommend an internal interim arrangement to cover the other duties of the Chief Executive’s post, to be approved by Full Council before 1 April 2019; and**
- e That a paper be circulated to Members setting out the detailed procedure to be used in the May Borough election.**

David Humphreys  
Chairman



## NORTH WARWICKSHIRE BOROUGH COUNCIL

### MINUTES OF THE EXECUTIVE BOARD

24 April 2019

Present: Councillor D Humphreys in the Chair

Councillors Bell, Chambers, N Dirveiks, Hayfield, Phillips, Reilly, Simpson, Sweet and D Wright

Apologies: Councillor Farrell (sub: Councillor Sweet)

#### 72 **Disclosable Pecuniary and Non-Pecuniary Interests**

None disclosed

#### 73 **Sub-Regional Materials Recycling Facility**

##### **Summary**

The Director of Streetscape and the Corporate Director – Resources sought Member approval to support a change in the level of commitment to this project and approval for the budget provision required for 2019/2020.

##### **Resolved:**

- a **That the proposal to commit to become a Partner Council on the Sub-Regional MRF Project, in order to take full advantage of the benefits and opportunities afforded by full project management at this stage in the programme be approved; and**
- b **That the inclusion of additional budget provision of £100,000 in the 2019/20 budget, towards the professional fees needed to progress the project, be approved.**

#### 74 **Business Start Up and Support Contract**

##### **Summary**

The Acting Chief Executive asked Members to agree to the Council continuing as a partner in the Warwickshire Business Start Up and Support Contract.

**Resolved:**

- a That the Council continue as a partner in the Warwickshire Business Start Up and Support contract and £8,000 per year for three years be committed; and**
- b That the inclusion of budgetary provision of £8,000 in the 2019/20 budget to cover the Council's contribution be approved.**

**75 Exclusion of the Public and Press**

**Resolved:**

**That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.**

**76 Planning Division**

The Acting Chief Executive asked Members to agree to a supplementary estimate in respect of changes to staffing in the Planning Division.

**Resolved:**

**That the supplementary estimate set out in the report of the Assistant Chief Executive be agreed.**

Councillor D Humphreys  
Chairman

**Agenda Item No 6**

**Executive Board**

**17 June 2019**

**Report of the Corporate Director -  
Resources**

**Capital Programme – 2018/19  
Final Position**

**1 Summary**

- 1.1 The purpose of this report is to update Members on the position of the 2018/19 Capital Programme at the end of March 2019.

**Recommendation to the Council:**

- a That the Board notes the level of expenditure incurred to the end of March 2019 against the 2018/19 Revised Capital Programme; and**
- b That the requests to carry forward schemes identified in column 6 of Appendix A be approved and added to the 2019/20 Capital Programme.**

**2 The Current Position**

- 2.1 The Council's Revised Capital Programme for 2018/19, approved by this Board in February 2019, is set out in Appendix A. The Appendix also shows the expenditure incurred on each scheme at the end of March 2019.
- 2.2 The Appendix shows total expenditure of £7,143,434. Payments of £5,222,965 have been made within the financial year, with a further £1,920,469 due to be paid in 2019/20. This gives an under-spend of £928,766 against the approved programme of £8,072,200.

**3 Outcomes from Capital Expenditure**

- 3.1 The £7,143,434 committed on capital schemes in 2018/19 has achieved a number of outcomes, and some of these are highlighted in the following paragraphs.
- 3.2 In terms of housing capital expenditure, programmes to replace windows, doors, kitchens, bathrooms and roofing, as well as implementing energy saving measures, heating and electrical installations continued in 2018/19, and are scheduled to complete in 2019/20. Adaptations to a number of houses were made which has enabled tenants with disabilities to continue living in their current Council property.

- 3.3 On the General Fund, Information Services purchased various servers, core switches, solution licences and cyber security improvements. Upgrades to both the oracle and operating systems are complete. The replacement of the Payment Management System has been delayed, as a viable call security solution is yet to be found. This will now take place in 2019/20.
- 3.4 The Revenues and Benefits Academy system has been replaced by the new Civica system, which went live in December 2018. A digital upgrade took place in March to the Borough Care Control Centre Equipment, to prepare for the future termination of the UK's analogue public telephone network. A mini HD CCTV camera and a Noise Nuisance Recorder kit were purchased. The planned replacement of the existing CCTV system has taken longer than anticipated, due to the need to appoint an expert consultant to help with delivery. The tender process is now complete and the new cameras are due to be delivered in July 2019.
- 3.5 Within the Vehicle Replacement programme, the two refuse vehicles that were ordered in October 2017 were received in May 2018.
- 3.6 There has been an upgrade to the pool and an installation of new pumps at Atherstone Leisure Complex, whilst repairs to the floor of the gym at Coleshill Leisure Centre have been carried out. The planned roof replacement at Atherstone Leisure Complex has been completed too.
- 3.7 There have been various improvements carried out at the Memorial Hall, including the installation of access controls to some of the doors and additional weights for the rig room. An obstacle course was purchased at Coleshill Leisure Centre and an inflatable frame with a slide at Polesworth Sports Centre.
- 3.8 Work on the depot refurbishment suffered a delayed start while tendering was undertaken to find an affordable solution. Work on the first phase is nearing completion and this scheme is now scheduled for completion during 2019/20.
- 3.9 The planned improvements to Bretts Hall Recreation Ground, initially scheduled to take place in 2017/18 but delayed due to inclement weather, have been completed. The landscape works at Arley and Mancetter Recreation Grounds have been completed.

#### **4 Committed Spend in 2019/20**

- 4.1 Of the capital programme expenditure of £7,143,434, there are commitments of £1,920,469 which will be required in 2019/20 to fulfil contracts already let or to continue the progress of on going schemes. These amounts are shown in column (4) of Appendix A.



## **5 Requests to Carry Forward Budget Provision**

- 5.1 Officers are requesting to carry forward budget provision of £899,940, as shown in column (6) of Appendix A.
- 5.2 It is requested to carry forward budgetary provision of £603,220 within the HRA. This will fund balcony walkways, stairwell and piping works to the flats at Alder and Heather Court.
- 5.3 The Leisure service are requesting to carry forward the underspend in respect of the Parks and Playing Fields budget. This budget will fund improvements to playing pitches as and when priorities are identified.
- 5.4 The Streetscape service have requested that the underspend on the DDA scheme be carried forward. This will be used partly to fund the toilet replacement programme that is expected to commence in 2019/20.
- 5.5 It is requested to carry forward the underspend relating to the replacement of the Revenues and Benefits system, for retention in a reserve to fund expenditure on additional licences for Council Tax Reduction Scheme modelling.
- 5.6 It is also requested to carry forward budgetary provision for Computer Hardware and Software Purchase. This will fund the purchase of software, servers and hardware to prepare for Windows 10 and MS Office 365. Additionally, it is requested to carry forward some of the underspend that relates to the ICT Infrastructure Development scheme. This will fund the purchase of servers and core switches that are in need of replacement.

## **6 Report Implications**

### **6.1 Finance and Value for Money Implications**

- 6.1.1 Payments made up to the end of March 2019 amount to £5,222,965, with further commitments of £1,920,469 due for payment in 2019/20. In addition, Members are also requested to carry forward schemes totalling £899,940, where expenditure has been delayed in 2018/19.

### **6.2 Sustainability Implications**

- 6.2.1 Expenditure incurred as part of the Council's Capital Programme enables the Council to continue to deliver a range of services to the people of North Warwickshire which contributes towards improving the quality of life for the communities of North Warwickshire.

### **6.3 Risk Management Implications**

- 6.3.1 If the financial provision requested is not carried forward, the achievement of some of the Council's objectives may be at risk.

## **6.4 Equalities Implications**

- 6.4.1 The Council is required to ensure it meets the requirements of the Equality Act 2010. The Act brings together all previous equality legislation and includes a public sector duty (the equality duty) replacing separate duties relating to race, disability and gender equality. The capital programme includes some provision for improving accessibility as previously required under the Disability Discrimination Act. The DDA defines discrimination in a number of ways and outlines four specific types of discrimination: direct discrimination, failure to make reasonable adjustments, disability-related discrimination and victimisation.

The Contact Officer for this report is Daniel Hogan (719337).

(1) (2) (3) (4) (5) (6)

Expenditure Proposals	Total 2018/19 Revised Budget	Payments in 2018/19	Commitments due for payment in 2019/20	Total Variation to Revised Budget	Requests to c/fwd schemes into 2019/20
<b>HRA Assets</b>					
Staffing	286,110	271,113	-	14,997	
Heating	388,270	339,166	45,410	3,694	
Windows and Doors	337,660	46,295	276,718	14,647	
Energy Saving Measures	1,000,000	479,348	504,476	16,176	
Disabled Facility Adaptations	210,000	240,956		30,956	
Kitchens & Bathrooms	561,160	263,388	297,772	-	
Roofing	1,217,090	1,110,584	104,688	1,818	
Electrics	606,410	265,815	339,475	1,120	
Alder & Heather Court Flats	1,187,310	566,808		620,502	603,220
Multi Trade Contract	600,000	654,735		54,735	
New Build	312,370	213,607	82,800	15,963	
<b>HRA TOTAL</b>	<b>6,706,380</b>	<b>4,451,813</b>	<b>1,651,339</b>	<b>603,227</b>	<b>603,220</b>
<b>General Fund Assets</b>					
Refurbishment of Council Owned Buildings	30,000	26,268	1,700	2,032	
Disabled Discrimination Adaptations	118,400	4,805		113,595	113,590
Atherstone Leisure Complex - Replacement Roof	15,000	17,032		2,032	
Parks and Playing Fields	150,000	1,495		148,505	148,500
Leisure Equipment	20,000	22,234		2,234	
Arley Recreation Ground	16,500	9,655		6,845	
Mancetter Recreation Ground	13,900	21,096		7,196	
Bretts Hall Recreation Ground	68,800	68,000		800	
Depot Works	120,000	20,000	100,000	-	
Replacement of Vehicles	269,380	251,742	16,230	1,408	
Computer Hardware and Software Purchase	54,440	37,755		16,685	16,000
ICT Infrastructure Development	22,920	17,068		5,852	5,400
Operating System Upgrade	5,000	4,457		543	
Payment Management System Replacement	32,000	17,066	14,500	434	
Revenues and Benefits System Replacement	150,120	136,882		13,239	13,230
CCTV System	136,700	-	136,700	-	
Noise Monitoring	-	6,564		6,564	
Mobile CCTV Replacement	-	11,903		11,903	
Capital Salaries - Management	17,160	17,160		-	
Borough Care Lifelines	68,000	68,871		871	
Decent Homes Grants and Works (Private Sector)	57,500	11,099		46,401	
<b>GENERAL FUND</b>	<b>1,365,820</b>	<b>771,152</b>	<b>269,130</b>	<b>325,538</b>	<b>296,720</b>
<b>OVERALL TOTAL</b>	<b>8,072,200</b>	<b>5,222,965</b>	<b>1,920,469</b>	<b>928,766</b>	<b>899,940</b>



## **Agenda Item No 7**

### **Executive Board**

**17 June 2019**

#### **Report of the Corporate Director - Resources**

#### **Capital Accounts 2018/19**

### **1 Summary**

- 1.1 The capital accounts for 2018/19 have been prepared. This report shows expenditure for the year, together with the methods of funding used.

#### **Recommendation to the Council**

**That the methods of funding to meet capital expenditure incurred in 2018/19 be approved.**

### **2 Capital Expenditure and Financing**

- 2.1 Capital expenditure incurred by the Council in 2018/19 totalled £5,911,027.00 of which £688,062 related to disabled facilities grants received from the government and passed onto the Heart shared service project, leaving £5,222,965 spend on council assets. In addition, an amount of expenditure relating to 2017/18, totalling £201,953.37 remained un-funded from the previous financial year. The Authority has used a variety of sources to fund this expenditure.
- 2.2 In preparing the funding statement, the effect on resources has been taken into account. In order to maximise the resources available to the Council, the additional Right to Buy receipts the Council can keep towards the provision of new build council housing have been used to the extent permitted, as they will be lost if not used within the required timescales. In addition section 106 funding for affordable housing is being used as soon as possible, to ensure that possible repayment is not an issue.
- 2.3 Other grants and contributions have been used for the schemes they relate to. Other sources of funding were also used, which include income from earmarked reserves previously approved by Members and revenue contributions to capital expenditure. Capital creditors 2018/19 are amounts relating to the 2018/19 financial year, which were not paid before the year end and therefore will not be financed until 2019/20.
- 2.4 The funding for the total expenditure of £6,112,980.37 is set out in the table below.

	<b>HRA</b>	<b>General Fund</b>	<b>Total</b>
Capital Receipts	3,136,530.81	-	3,136,530.81
Capital Receipts-New Build	32,291.30	249,700.12	281,991.42
Grants and Contributions	5,859.83	710,415.09	716,274.92
Section 106	154,522.00	-	154,522.00
Revenue / Reserves	1,277,291.99	307,983.55	1,585,275.54
Capital Creditors 2018/19	34,837.82	203,547.86	238,385.68
<b>Total</b>	<b>4,641,333.75</b>	<b>1,471,646.62</b>	<b>6,112,980.37</b>

- 2.5 The accounts of the Authority will not be audited until July. Any adjustments to the funding statement will be reported to this Board following the conclusion of the audit.

### 3 Report Implications

#### 3.1 Finance and Value for Money Implications

- 3.1.1 The funding of the 2018/19 programme is consistent with the strategy approved by the Council, to use some receipts for General Fund schemes and to maximise the resources available for the overall programme.

#### 3.2 Environment and Sustainability Implications

- 3.2.1 The Council invests in new and existing assets to enable the provision of services to continue to be delivered to the people of North Warwickshire.

#### 3.3 Links to Council's Priorities

- 3.3.1 The proposed funding arrangements contribute towards the Council's priority of maximising its resources.

The Contact Officer for this report is Nigel Lane (719371).

### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

<b>Background Paper No</b>	<b>Author</b>	<b>Nature of Background Paper</b>	<b>Date</b>

**Agenda Item No 8**

**Executive Board**

**17 June 2019**

**Report of the Corporate Director -  
Resources**

**Earmarked Reserves 2019/20**

**1 Summary**

- 1.1 The Council holds a number of reserves to meet future expenditure, other than the General Fund and Housing Revenue Account. This report informs Members of the balances on these reserves at 31 March 2019, subject to audit, and updates the proposed use of reserves in 2019/20.

**Recommendation to the Council**

**To approve the reserves held at 31 March 2019 and the planned use of reserves in 2019/20.**

**2 The Purpose of Holding Reserves and Funds**

- 2.1 The Council holds a number of reserves that have been earmarked for specific revenue and capital purposes and at 31 March 2019 these totalled £12.742 million. These reserves are held for a number of purposes, and in broad terms can be split into the following categories:

- External funding which has been received for specific activities, which has not been spent in the year of receipt;
- Growth approved, which has not yet been spent;
- Resources set aside as contingency sums;
- Resources set aside for general capital spending or the replacement of specific assets; and
- Funding earmarked for other reasons, such as timing differences, to smooth expenditure between years, or to progress specific projects.

... Appendix A sets out in more detail the purpose and amount of these reserves held.

### **3 Movement on Revenue Reserves in 2018/19**

- ...
- 3.1 During 2018/19, expenditure of £3.460 million was funded from revenue reserves, whilst income of £4.360 million went into reserves. In Appendix A the reserves are grouped into the categories highlighted in paragraph 2.1, and each of these categories is dealt with below.
  - 3.2 The use of 'reserves holding external funding for specific activities' related to some expenditure on the progression of community development schemes, risk management activity, local plan work and work on welfare reform. Grant and other external funding going into these reserves amounted to £167,000 at the end of the year, with the majority of funding received for homelessness schemes, community development initiatives, work around welfare reform and funding towards Transparency and Individual Electoral Registration.
  - 3.3 There was limited spend from reserves for 'approved growth not yet spent' on work related to the Borough Care service and environmental issues. Funding going into these reserves related to Health and Wellbeing and Borough Care.
  - 3.4 The movement on contingency sums relates to additional business rate income received in the year, which will be used to support the General Fund in future years. The reserve is held to manage the risk of changes to the business rates received and the timing of transfers from the Collection Fund.
  - 3.5 Within 'Other reserves', spending amounted to £3.317 million. Of this £2.856 million related to spending on repairs and maintenance on the Council's housing stock. Other significant spending related to spending on the Local Development Framework and Broadband project, spending on heritage activity and the cycle race, meeting the shortfall in recycling income and the planned use of the HRA reimbursement to the General Fund. Contributions into these reserves amounted to £3.239 million in total. Again the largest element of this related to the annual contribution of £3.153 million going into the Housing Repairs Fund. Other amounts set aside into reserves related to the annual repayment of service loans into the new initiatives reserve, and for future work on green spaces, leisure marketing, corporate communications, amenity cleaning and refuse service rationalisation.

### **4 Movement on Capital Reserves in 2018/19**

- 4.1 During the year, income of £8.395 million went into reserves held for capital purposes. The majority of this, £7.562 million, related to the funding needed for the housing capital programme and funding earmarked for council house new build. Some revenue funding was set aside for the replacement of refuse vehicles and leisure equipment, and grant income was received for Disabled Facility projects.
- 4.2 Within the year reserves of £6.050 million were used, with £5.197 million used to fund housing capital expenditure. Reserves were also used to fund spending on leisure equipment for Polesworth Leisure Centre.



## **5 Proposed Use of Reserves in 2019/20**

5.1 The use of some reserves in the current year is unknown, due to uncertainty over the outcome and timing of some projects.

5.2 However, the main expenditure expected to be funded from reserves in the current year is indicated below:

- Expenditure on the Council's housing stock, using the Housing Repairs Reserve (revenue)
- Projects will be progressed where specific funding has been received, eg homelessness, community development initiatives and individual electoral registration
- The training reserves held for Staff and Member training may be needed to supplement the annual budget provision, depending on the development programme compiled
- Some reserves held for community projects, such as community hubs, health and wellbeing and crime prevention will be utilised. In addition reserves will be used for heritage schemes and the Community Fund, as well as some work on access to services
- The insurance and sickness reserves will be used as and when they are needed
- Capital reserves will be used to support the agreed capital programme

## **6 Assessment of Risk when Establishing Earmarked Reserves**

6.1 For the majority of earmarked reserves, there is little or no risk to the financial standing of the Council. Those established to manage the receipt of grant are generally clear-cut, as expenditure is matched very specifically to the income available.

6.2 Reserves set up to manage timing differences similarly lead to little risk. Funds set aside for expected shortfalls are used to manage the risk to the base budget and are estimated using the best available information and with a view to the anticipated timeframe involved. For example, the VAT reserve held should cover the VAT that could not be recovered, should the Authority exceed its exempt limit, for one year. This would allow corrective action to be taken in a planned way.

6.3 Given the uncertainties around the transfer of business rates to local authorities, a reserve is held, which will give some funding to cushion any unexpected changes to how the schemes operate and to manage timing differences in transfers of business rates from the Collection Fund.

## **7 Report Implications**

### **7.1 Finance and Value for Money Implications**

7.1.1 Although the Council holds a number of additional reserves, these are earmarked for particular purposes. Some resources have been set aside to deal with new initiatives, but these will only provide one-off funding for schemes.

### **7.2 Safer Communities Implications**

7.2.1 Funds held will contribute to meeting the objectives of the Council's priority of working with partners to tackle crime and anti social behaviour.

### **7.3 Environment and Sustainability Implications**

7.3.1 These funds contribute to the ongoing provision of Council services, but are one-off contributions to meet the costs of expenditure incurred.

### **7.4 Equality Implications**

7.4.1 The Council is required to ensure it meets the requirements of the Equality Act 2010. The Act brings together all previous equality legislation and includes a public sector duty (the equality duty) replacing separate duties relating to race, disability and gender equality. The individual use of the reserves will need to include assessment of the equality implications and any adverse impacts which may arise. The uses of reserves identified in Appendix A will include a number of positive contributions in terms of the equality duty including the community and economic development projects, homelessness, benefits and outreach and access to services.

### **7.5 Risk Management Implications**

7.5.1 The Council assesses the risks involved in setting up any earmarked reserves, and agrees action, where appropriate.

### **7.6 Links to Council's Priorities**

7.6.1 The use of reserves assists the Council on maximising its use of resources.

The Contact Officer for this report is Sue Garner (719374).

### **Background Papers**

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

<b>Background Paper No</b>	<b>Author</b>	<b>Nature of Background Paper</b>	<b>Date</b>

## EARMARKED RESERVES FOR REVENUE PURPOSES

## EXTERNAL FUNDING RECEIVED FOR SPECIFIC ACTIVITIES

Purpose of Reserve	Balance March 2018 £000	Contribution to Reserve	Use of Reserve	Balance March 2019 £000
<b>Community and Economic Development Projects</b> – funding received for sport, health, crime and disorder, economic development, High Street Innovator grant and other community projects.	195	53	80	168
<b>Planning</b> – to be used to progress the delivery of housing sites and to maintain a Brownfield Site Register	234		12	222
<b>Homelessness</b> – towards homeless schemes within the Borough	154	65		219
<b>Environmental Sustainability</b> - received towards work on climate change	35		6	29
<b>Risk Management</b> – an amount received from Zurich Municipal for risk management initiatives	56		14	42
<b>Benefits</b> – for benefits initiatives and to promote anti fraud campaigns	78	25		103
<b>Neighbourhood Plans</b> – to support communities to develop neighbourhood plans within North Warwickshire	107		3	104
<b>RIEP / INSPIRE Annexe 3 grant</b> – to be used for system review work and to meet EU requirements around spatial data over the next three years	14			14
<b>New Burdens</b> – received for council tax and welfare reform	272	4	10	266
<b>Transparency and Digital Experts</b> – grant funding to improve information for residents	27	12		39
<b>Other</b> – a third edition of North Talk and funding for elections and the registration of electors	73	8		81
<b>TOTAL</b>	<b>1,245</b>	<b>167</b>	<b>125</b>	<b>1,287</b>

**APPROVED GROWTH NOT YET SPENT**

<b>Purpose of Reserve</b>	<b>Balance March 2018 £000</b>	<b>Contribution to Reserve</b>	<b>Use of Reserve</b>	<b>Balance March 2019 £000</b>
<b>Outreach and Access to Services</b> –funding set aside for community projects	29		2	27
<b>Borough Care</b> - one-off funding approved for the expansion of the service.	11	17	11	17
<b>High Speed 2</b> – one off funding approved for costs associated with HS2	34			34
<b>Environmental Issues</b> -	37		5	32
<b>Health and Wellbeing</b> – funding to be allocated by the Working Party	-	23		23
<b>TOTAL</b>	<b>111</b>	<b>40</b>	<b>18</b>	<b>133</b>

**CONTINGENCIES**

<b>Purpose of Reserve</b>	<b>Balance March 2018 £000</b>	<b>Contribution to Reserve</b>	<b>Use of Reserve</b>	<b>Balance March 2019 £000</b>
<b>Contaminated Land</b> – in the event that the Council has to deal with contaminated land issues, there is no provision in the base budget. This contingency would enable some work to take place.	51			51
<b>VAT</b> – If the Council goes above its deminimis level, it will not be able to reclaim all its VAT. The reserve has meant that provision is not needed in the annual revenue budget.	90			90
<b>Emergency Planning</b> – under-spends against the annual budget have been set aside to build up a small contingency.	32	1		33
<b>Land Charge Refunds</b> – following a change in VAT rules, there may be a requirement to repay some VAT to residents.	48			48
<b>Business Rates Volatility</b> – in case costs change when further detail of the local business rate scheme is known	400	913		1,313
<b>TOTAL</b>	<b>621</b>	<b>914</b>	<b>-</b>	<b>1,535</b>

OTHER

Purpose of Reserve	Balance March 2018 £000	Contribution to Reserve	Use of Reserve	Balance March 2019 £000
<b>Local Development Framework</b> –Planning fee income set aside to support the Local Development Framework and Conservation Study work.	138		104	34
<b>Housing Repairs Fund</b> – The Council undertakes general repairs and maintenance on its housing stock and this fund contributes to the costs of these repairs.	543	3,153	2,856	840
<b>New Initiatives / One off growth</b> – This reserve is to provide ‘pump priming’ for the initial costs that arise from new initiatives, which will ultimately reduce existing costs. Savings achieved will be used to repay the contribution from the reserve, so that other services will have similar opportunities to implement new schemes. Some funding has also been set aside for one off growth items.	284	25	45	264
<b>Community Development Schemes</b> - funding set aside for social inclusion schemes involving health.	5		4	1
<b>Green Space Strategy</b> – Some funding set aside to enable tree works and a review of the grounds maintenance service. The remainder to progress actions identified within the Green Space Strategy action plan.	23	8		31
<b>Crime and Disorder</b> – funding for crime prevention work with partners.	61		11	50
<b>Leasing</b> – Leases for a number of vehicles were only finalised after the vehicles were already in use. This meant that charges included within the revenue account in the first year of operation covered a different period to the actual leasing payment made. The difference was set-aside in this reserve, to cover the outstanding costs at the end of the lease, arising from the timing difference.	30			30
<b>Maintenance of Council Assets</b> – the Council has to carry out revenue repairs and maintenance on an ongoing basis to its property, vehicles and other facilities. Funds have been set aside to provide funding for unexpected and non-regular repairs.	91		4	87
<b>QE AGP</b> – Contingency funds held as part of the joint working arrangement with the school	45	7	10	42
<b>Training</b> – The maintenance of this reserve has allowed fluctuations in annual training to be managed, so that training and development is provided when required rather than when funding is available.	106			106
<b>Consultation</b> – There is continuing pressure to consult with residents of the Borough and service users. The requirement to consult varies from year to year and the reserve allows fluctuations between years to be managed, without affecting other revenue spending.	43			43
<b>Amenity Cleaning</b> – Additional provision approved for this service has not been spent to date, and has been set-aside to cover future work.	50	11		61

Purpose of Reserve	Balance March 2017 £000	Contribution to Reserve	Use of Reserve	Balance March 2018 £000
<b>Human Resources</b> – funding to cover the cost of employment law specialists and external investigators is needed on an ad hoc basis.	20			20
<b>Area Forums</b> – Funds held by area forums, which have not yet been allocated.	59		15	44
<b>Insurance</b> – to cover the additional excess costs borne by the Council, as a result of increasing the levels, to take advantage of lower premiums	56	11	12	55
<b>Financial Systems</b> – to cover the professional fees required to update the financial management and capital accounting systems	20			20
<b>Miscellaneous</b> – This covers a number of small reserves which do not fall into the other categories, including the sickness fund, flexible working, clean neighbourhoods	226	24	31	219
<b>Development Control</b> –To cover the use of professional advisors on planning applications	52			52
<b>Recycling Income Equalisation</b> – to assist with the management of income fluctuations	30		30	-
<b>LAMS</b> – Income set aside in case of defaults against mortgages guaranteed	58			58
<b>Broadband UK</b> – year 1 funding has been set aside, as the scheme has taken longer to start than expected	157		145	12
<b>HRA Reimbursement to General Fund</b>	290		50	240
<b>TOTAL</b>	<b>2,387</b>	<b>3,239</b>	<b>3,317</b>	<b>2,309</b>
<b>TOTAL REVENUE RESERVES</b>	<b>4,364</b>	<b>4,360</b>	<b>3,460</b>	<b>5,264</b>

## EARMARKED RESERVES FOR CAPITAL PURPOSES

### CAPITAL SPENDING / ASSET REPLACEMENT

Purpose of Reserve	Balance March 2017 £000	Contribution to Reserve	Use of Reserve	Balance March 2018 £000
<b>GF Capital</b> – this reserve is used to fund capital expenditure on General Fund schemes, eg works on Council buildings or the replacement of software.	522	766	836	452
<b>Play Area Replacement</b> – revenue funding is set aside each year, to ensure there are sufficient resources to replace the refurbished play areas in the future	361			361
<b>Equipment Replacement</b> - This sum has been earmarked for the future replacement of PCs, leisure equipment, recycling bins and CCTV equipment.	228	39	17	250
<b>Vehicle Replacement</b> – some funding has been set aside for the replacement of the refuse vehicles originally purchased by WCC	60	15		75
<b>Pool Reserve (Lottery)</b> – as part of the award of lottery funding towards the refurbishment of Atherstone Pool, the Council agreed to set aside some funds on an annual basis towards the replacement of the plant within the facility	185	13		198
<b>Housing Capital</b> – this reserve is used to support the capital programme for Housing schemes.	1,890	6,379	4,616	3,653
<b>Housing New Build</b> – resources set aside for new build schemes	321	1,183	581	923
<b>Major Repairs Reserve</b> – The Major Repairs Allowance is to fund capital expenditure on the Council's Housing Stock.	1,536			1,536
<b>TOTAL CAPITAL RESERVES</b>	<b>5,103</b>	<b>8,395</b>	<b>6,050</b>	<b>7,448</b>





## Agenda Item No 9

### Executive Board

17 June 2019

#### Report of the Corporate Director - Resources

#### Annual Governance Statement 2018/19

### 1 Summary

- 1.1 The Annual Governance Statement sets out the arrangements the Council has put in place for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. These ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for and is used economically, efficiently and effectively.

#### **Recommendation to the Council**

**That the Annual Governance Statement for 2018/19, attached as Appendix A, is approved.**

### 2 Background

- 2.1 The 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 available on our website. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations.
- 2.2 The Council has also reviewed the Chartered Institute of Public Finance Association (CIPFA) Statement on the Role of the Chief Financial Officer in Local Government, to ensure its financial management arrangements conform to the governance requirements of the CIPFA Standard.

### 3 Review of the Effectiveness of Internal Audit

- 3.1 The Council has a system of Internal Control, to which the internal audit system contributes significantly. The internal audit section is responsible for the provision of much of the system, although some responsibilities are carried out by others. Fraud work is carried out within the Internal Audit section; however a specialist contractor is used for IT audits where necessary. All of these also contribute to internal audit within the Authority.

3.2 Public Sector Internal Audit Standards require an external assessment of the internal audit service at least every five years. An external assessment was undertaken in November 2017, and identified some areas where improvements could be made. These were reported to Resources Board on 21 May 2018. All recommendations were put in place during 2018/19.

#### 4 **2018/19 Annual Governance Statement**

... 4.1 The Statement (Appendix A) presented to Members this evening for approval sets out how the Council meets the following principles:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of Members and Officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

4.2 Members are kept informed throughout the year about the various areas that make up the system of internal control. Much of this information comes through Board reports. All Boards receive progress reports on the service areas that come within their remit. Higher level reports include progress against the Corporate Plan and budgetary control reports. However, other more detailed reports are used to deal with specific areas, such as Leisure Services and Refuse and Recycling. Progress against the 2018/19 Corporate Governance Action Plan is included within the Annual Governance Statement.

4.3 Responsibility of monitoring against corporate activity has also been assigned to individual boards, for example, the Resources Board considers Risk Management and Treasury Management activity and the work of Internal Audit, whilst the Executive Board considers the outcomes of the work of the external auditors.

- 4.4 Where appropriate, all Members are involved in major reviews. Other means are also used to monitor the activity of the Council, such as the use of Task and Finish Groups. In addition, Members are involved in areas such as appeals, and can ensure that agreed policies are being adhered to.
- 4.5 In reviewing the corporate governance arrangements, a number of areas have been highlighted for further action. These are included within the Annual Governance Statement.
- 4.6 Once approved by this Board, the Statement will need to be signed by the Leader of the Council and the Chief Executive.

## **5 Report Implications**

### **5.1 Finance and Value for Money Implications**

- 5.1.1 The governance arrangements put in place by the Council ensure that its financial position is safeguarded and that only approved expenditure is incurred on behalf of the Council and income is only generated for goods and services it actually provides.

### **5.2 Legal Data Protection and Human Rights Implications**

- 5.2.1 The governance arrangements put in place by the Council ensure that its legal position is safeguarded, it complies with relevant laws and regulations and that expenditure is lawful.
- 5.2.2 Under the requirements of the General Data Protection Regulation and the Data Protection Act 2018 there are new requirements for the processing of personal information. One of the new requirements is to appoint a Data Protection Officer who has responsibility for overseeing compliance with the new legal requirements. This role is being carried out by the Corporate Director Environment.

### **5.3 Environment and Sustainability Implications**

- 5.3.1 As part of the Council's governance arrangements, there is a requirement for Officers and Members to consider the environmental impacts and sustainability of decisions taken.

### **5.4 Human Resources Implications**

- 5.4.1 There are systems in place which ensure that health and safety considerations are taken into account, along with legal requirements. The Council also has a number of policies which set out expected standards of behaviour for both Officers and Members.

## 5.5 Risk Management Implications

5.5.1 The Council manages its risks by having good internal control mechanisms in place. The improvements identified in the statement for the future will strengthen these mechanisms.

## 5.6 Equalities Implications

5.6.1 As part of the Council's governance arrangements, there is a requirement for Officers and Members to consider the equalities implications of decisions taken.

## 5.7 Links to Council's Priorities

5.7.1 The governance arrangements ensure that the achievement of the Council's priorities is monitored on a regular basis, and action taken where this is appropriate.

The Contact Officer for this report is Sue Garner (719374).

### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

## NORTH WARWICKSHIRE BOROUGH COUNCIL

### 2018/19 Annual Governance Statement

North Warwickshire Borough 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, and used economically, efficiently and effectively. To do this, the Council is responsible for putting in place proper arrangements for the governance of its affairs and enabling the effective exercise of its functions, which includes arrangements for the management of risk.

The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The 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 available on our website.

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

#### **Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its 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.

The system of internal control is a significant part of that framework and is designed to manage risks at 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 governance statement has been in place at North Warwickshire Borough Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

#### **Review of effectiveness**

North Warwickshire Borough 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 its effectiveness is informed by:

- the work of the Senior Management Team and other managers within the Authority who have responsibility for the development and maintenance of the governance environment;
- work carried out by Internal Audit;
- comments made by the external auditors, Ernst & Young plc, in their annual audit letter and other reports. The external auditors also comment on the value for money achieved by the Council, as part of their opinion on the financial statements;
- feedback from other review agencies and inspectorates;
- the results of user surveys and feedback from residents; and
- feedback from Service Boards and Member Groups.

To ensure that the governance framework remains effective, senior officers and Members have reviewed individual elements of the framework. Review work has been undertaken by the Council's statutory officers with, for example, amendments made to the Constitution and Treasury Management Strategy.

Policy Boards use Task and Finish groups or Working Groups to review and scrutinise individual areas. The Constitution Task and Finish Group met during the year. In addition working parties met to progress Health and Wellbeing, Community Safety and Financial Inclusion and to monitor Section 106 Agreements. The Community Partnership also oversees actions taken in a number of areas, such as addressing poverty and raising aspirations and employability.

### **Council Structure and Corporate Governance**

The Council operates using a Committee system. This involves a number of Service Boards/Committees, responsible for specific areas of activity, which report back to the full Council. This meeting cycle of Board and Council meetings runs five times throughout the year. The remit and responsibilities of the Boards and Committee are set out in the Constitution of the Council, and include:

- Executive Board
- Resources Board
- Community and Environment Board
- Planning and Development Board
- Licensing Committee.

The Monitoring Officer effectively acts as the guardian of the Council's constitution and the decision making process. He/she is responsible for advising the Council on the legality of its decisions and providing guidance to elected Members on the Council constitution and its powers. He/she has the specific duty to ensure that the Council, its Officers and its elected Members maintain the highest standards of conduct in all that they do. This includes: reporting to the Council if a decision is unlawful or amounts to maladministration, maintaining Registers of Interests, and arranging for investigations into any matters or complaints referred to the Standards Committee.

We have a number of ways that concerns of any kind can be raised, by employees, Members of the Council or the public. These include Confidential Reporting arrangements and complaint procedures. Any concerns will be followed up by trained investigators and action will be taken in proven cases.

The Council has approved Anti-Fraud and Anti-Money Laundering Policies. We take fraud of any kind seriously, and our first aim is to prevent opportunities for fraud to occur, by building sufficient controls into systems and procedures. The Council also contributes to National and Regional Fraud Initiatives using data matching techniques.

### **Management Team**

All local authorities are required by law to have officers who fulfil three specific roles. At North Warwickshire Borough Council, these roles are carried out by the following post-holders within the Council:

- The Head of Paid Service – Chief Executive
- The Chief Financial Officer (CFO) – Corporate Director Resources
- The Monitoring Officer – Corporate Director Environment (the Corporate Director Community will take this role for an interim period from 1 April 2019).

The Head of Paid Service leads and takes responsibility for the running of the local authority on a day to day basis. The role requires the Chief Executive to work closely with elected Members to ensure strong and visible leadership and direction, ensure staff adhere to the strategic aims of the Authority and follow the direction set by elected Members. The Chief Executive acts as the principal policy advisor to elected Members, delivers the political objectives set by elected Members, leads and develops strong partnerships across the local community to achieve improved outcomes and better public services for local people, and oversees service development and all aspects of management within the Council.

All of the statutory officers are members of the Senior Management Team of the Council. The fourth member of the Senior Management Team is the Corporate Director Community, who adds a customer focus to any decision making of the Team. The Senior Management Team meets on a weekly basis.

The Council also has four Service Directors covering: Corporate Services, Housing Services, Leisure and Community Development and Streetscape. These Directors, together with the senior Management Team and the Head of Development Control, make up the Extended Management Team, who meet on a monthly basis.

### **Standards**

The Council expects its Members and officers to maintain appropriate standards of conduct and behaviour. These are set down in codes of conduct, standing orders, financial regulations, policies and processes, which are regularly reviewed. Compliance is monitored on an ongoing basis, and supplemented by information through the complaints and compliments procedure and confidential reporting policy.

Both Members and officers are required to declare gifts and hospitality received, for inclusion on the register of interests maintained by the Monitoring Officer. An Internal Audit on Gifts and Hospitality undertaken during the year provided a satisfactory audit opinion, with a few recommendations for improvements. These were implemented before the end of the year.

### **Performance Management**

The Council assesses the needs of the area through the Sustainable Community Strategy process and work with the North Warwickshire Community Partnership. The Council's Corporate Plan provides clear links on how the achievement of Council priorities assists in the delivery of community objectives. The Corporate Plan is approved before the start of each year and identifies the headline targets for the coming year, which are supported by greater detail within individual service plans.

All members of the senior management team contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives. The CFO and monitoring officer provide financial and legal advice and support to elected representatives to inform their decision making.

During the year progress against Corporate Plan targets is reported to senior managers, Management Team and to service boards on a quarterly basis, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and is also published on the Council's website. This system has been operating for some time, so a review is planned in the coming year to ensure that it is still fit for purpose.

As well as monitoring achievement of identified outcomes, the Council wants to ensure that an excellent quality of service is provided. It ensures this in a number of ways: obtaining user feedback, through independent inspection and audit and through system reviews. The

Council takes part in Peer Challenge reviews periodically. Peer challenges are improvement-focussed and tailored to meet individual councils' needs, to complement and add value to a council's own performance and improvement focus. One of these reviews highlighted communication as an area for improvement, and during 2018/19 we have continued to focus on how we communicate, to ensure revised arrangements are working as intended.

### **Information Management**

Information management is a key concern for the Council, with all Members and officers having responsibilities for its governance. The Council's Data Protection Officer provides policies, training and guidance to ensure compliance with legislation, and investigates any breaches that may arise.

A significant piece of work on reviewing and adapting the Council's processes and procedures was undertaken, to ensure compliance with the General Data Protection Regulations which came into effect on 25 May 2018. A Data Protection Officer and a Senior Information Risk Owner were appointed and a corporate working group met regularly to ensure that data was reviewed, and only held in compliance with the Regulations. The Senior Information Risk Owner is responsible for implementing a risk assessment programme and advising the Executive Board of the effectiveness of the Council's information risk management procedures.

### **Financial Management**

The Chief Financial Officer must be a member of a specified accountancy body. The CFO is responsible for the proper administration of the Council's financial affairs and has specific legislative responsibilities, as he/she has a fiduciary responsibility to the local taxpayer. In England, the CFO has a statutory duty to report to the authority at the time the budget is considered and the council tax set, on the robustness of the budget and the adequacy of financial reserves. With regard to capital spending, there is a statutory requirement to set and arrange the Council's affairs to remain within limits for borrowing and capital investment. The CFO must also be proactive in the management of change and risk, be focussed on outcomes and help to resource the authority's plans for change and development in the public services it provides. The CFO's duties include a requirement to report to all the local authority's members, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

The Council has comprehensive forecasting and budgeting procedures. A medium term business and financial planning process is used to deliver the authority's strategic objectives, including:

- A 30 year Business Plan for the Council's housing stock to ensure ongoing viability, which is reviewed annually;
- A Medium Term Financial Strategy to ensure sustainable finances for all other Council services, which is updated twice a year, in February and September;
- A Capital Strategy which is updated annually;
- A 3 year capital programme and a 10 year capital projection, which are updated annually;
- A Treasury Management and Investment strategy, which is updated annually; and
- A monitoring process that enables this to be delivered.

Financial information is provided on a monthly basis to the Management Team, and three times during the year to each Service Board. Periodic and annual reviews of financial reports indicate financial performance against forecasts for all of the Council's spending. Summary information is also published.



Financial Regulations and Contract Standing Orders are in place, for use by all Members and Officers. These ensure there is effective use and control of resources, and robust and transparent decision making. The Financial Regulations were reviewed during the year.

The CFO ensures that the Council's financial management arrangements conform to the governance requirements of the CIPFA Standard. This includes ensuring that all members of the Senior Management Team have the financial capabilities necessary to perform their respective roles. The CFO also accesses expert advice on specific areas such as Treasury Management and VAT, as required.

### **Risk Management**

There are risks involved with the provision of any services, so the Council uses a system of risk management to minimise and manage the risks it faces. It does this by identifying both strategic and operational risks, looking at existing controls in place to reduce these, and amending these or bringing in new controls where this is beneficial.

The system involves an annual review of strategic risks by the Senior Management Team and an annual review by senior managers of operational risks in their service areas. This enables all Senior Managers to complete Annual Statements of Assurance, and to identify actions that are needed to management risk in the coming year, including the identification of any new risks.

Risks are reviewed corporately part way through the year, and specific checking is carried out during the year by the Internal Audit section, as part of their audit work. The Resources Board receive a mid year update on risk management activity, as well as an annual report. The annual report includes information on the strategic risks, as well as the more significant operational risks.

As part of our risk management, the Council has insurance in place to cover the risk of loss. The levels of cover and the excess amounts are kept under continual review.

### **Internal Audit**

A key feature of regulations the Council needs to comply with is the requirement for internal audit. A local authority must maintain an adequate and effective system of internal audit of its accounting records and its system of internal control. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.

An external review of the Internal Audit service in 2017 highlighted a few areas for improvement. These have all been addressed, so the service can demonstrate compliance with the Public Sector Internal Audit standards.

Internal Audit has a risk based approach to formulate audit plans and determine the scope of audit reviews. The work undertaken by Internal Audit has enabled the Head of Internal Audit to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda. Specialist counter-fraud consultants have been used in the review of IT controls that was carried out during the year.

The Council has a zero tolerance to all forms of fraud, error and corruption, and employs a counter fraud officer who works closely with the Revenues, Benefits and Housing teams to identify, deter and prevent all forms of fraud and error. We also have a joint working agreement with the Department for Works and Pensions.

## Responsibilities of Officers and Members

The Council ensures that it is operating efficiently by specifying the different roles and responsibilities of both Councillors and Officers. The remit of each decision making Board is set down in the constitution, along with the roles of individual Councillors. The Council does not have an Audit Committee, but instead divides the core functions between the Executive Board and the Resources Board. The constitution also outlines the responsibilities of senior officers, and areas where they have been given delegated powers. Employee contracts include job descriptions, and these give the detail of individual roles, for all employees.

The Council uses workforce planning to identify future staffing requirements. This projects future service needs and the workforce that would be needed for their delivery. Some recruitment difficulties were experienced during the year and these, together with the election of a new Council in May 2019, have highlighted the need to review and update workforce plans.

The Council uses an appraisal system to set specific targets for individual staff on an annual basis. These targets reflect their Division's targets in the Corporate Plan and the Divisional Service Plan and are subject to a six monthly review. The appraisal system is also used to assess the training and development needs of individual employees, and ensure that they have the skills and abilities to carry out the tasks required.

Induction training is carried out whenever a new Member is elected. After that, Member training is generally identified by individuals, or in response to issues that arise. An exception to this is the area of planning, as increasing changes in planning laws and regulations have resulted in fairly regular sessions being arranged.

## Significant Governance Issues

Progress has been made with the implementation of the Corporate Governance Action Plan approved last year, although some areas still require completion.

Action	Responsible Officer	Completion Date
Mid year review of identified risk management actions	CDR	Dec 2018
Review, and where appropriate, make interim arrangements to revise the Council's priorities and key actions	CE	Dec 2018
Deliver targets within the Financial Strategy	CDR	Feb 2019
Update and deliver the training plan for Members	CDE / CDR / D – L&CD	March 2019
Update the Workforce Plan	CDR / D's / SH –P	In progress
Implement external review recommendations in Internal Audit	CDR	May 2018
Monitor / take part in developing Regional / Sub Regional Governance	CE	March 2019
Continue to seek mitigation against the impact of HS2 on the Borough	CDE	March 2019
Officer training on Emergency Planning/Business Continuity	CE	March 2019
Complete the work on the Constitution with the Task & Finish Group	CDE	March 2019
Review the Code of Governance, to ensure consistency with the latest CIPFA / SOLACE guidance	CDR	In progress

## APPENDIX A

The review of the governance framework during 2018/19 has identified the following issues:

Action	Responsible Officer	Completion Date
Provide induction training for newly elected Members	ACE	
Agree and deliver training plans for new Members	ACE / CDR	
Agree the priorities and key actions of the new Council	ACE	
Revise the Capital Strategy to ensure compliance with new priorities	CDR	
Deliver targets within the Financial Strategy	CDR	
Review Contract Standing Orders and procurement documentation to ensure they take account of the Modern Slavery Act	D – CS	
Review reporting arrangements for corporate priorities	ACE	
Review and update Workforce Plans	CDR	
Review compliance with GDPR compliance	ACE	
A review of the process and procedures through which Community Grants are awarded to outside organisations	D – L&CD	
A review of the new Building Control Partnership arrangements	CDE	
Finalise a Communications Strategy and develop a plan to ensure communication supports the council's priorities	D - CS	

We propose over the coming year to take steps to address the above matters to further enhance 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:**.....  
Leader of the Council

**Signed:**.....  
Acting Chief Executive



## Agenda Item No 10

### Executive Board

17 June 2019

#### Report of the Corporate Director - Resources

#### Financial Statements 2018/19

### 1 Summary

- 1.1 The Financial Statements for 2018/19 have been completed. This report highlights the position on the General Fund and Housing Revenue Account, compared with the estimated position previously reported.
- 1.2 The accounts have not yet been audited, and may need some adjustment following the completion of the audit later in the year.

#### **Recommendation to the Board**

**That the 2018/19 financial statements be approved, subject to audit.**

### 2 Introduction

- 2.1 The publication of the Financial Statements is a statutory requirement, with a statutory timetable. For the 2018/19 financial year, the Authority is required to prepare and publish its unaudited accounts by 31 May and to publish the audited version by 31 July.
- 2.2 The Council's external auditors, Ernst & Young plan to audit the Financial Statements during July, to allow them to present their conclusions in the annual audit letter which will come to the July meeting of the Board.
- 2.3 The accounts are closed on the best information available at the end of March, which in some instances requires the use of estimates. As the auditors are required to look at transactions that have taken place since the end of the year, and in some instances agree adjustments to the Statements, the Statements are expected to change following the audit.

### 3 Changes in the 2018/19 Financial Statements

- 3.1 Local authorities are required to prepare their financial statements in line with the latest Accounting Code of Practice. There are only some presentational changes required for the 2018/19 accounts, providing additional detail in the disclosure notes for financial instruments.

### 4 2018/19 Activity

- 4.1 The financial statements for 2018/19 have been prepared and published as required. They are attached as Appendix A.

...

## 4.2 **General Fund Revenue Account**

- 4.2.1 The original budget for the General Fund set in February 2018 anticipated a use of balances of £169,440. A revised budget was approved in February 2019, which anticipated an increased use of balances of £254,980. The main reasons for the increased use of balances were detailed in the 'General Fund Revenue Estimates 2019/20 and Setting the Council Tax 2019/20' report to Executive Board. They included: increased planning costs on agency staff to cover staff vacancies, increased costs in leisure services and lower recovery of housing benefit overpayments. These costs were only partly offset by reduced expenditure on refuse and recycling and additional investment income.
- 4.2.2 The actual position on the General Fund at the end of the financial year is better than expected in the revised estimate, with £203,426 going into balances. Additional planning income was received late in the year, and net spending on housing benefits was lower than expected, whilst staffing costs reduced due to recruitment difficulties, in addition to normal turnover.
- 4.2.3 In addition to the movements highlighted above, there have been a number of movements into and out of earmarked reserves. These movements allow timing issues to be dealt with, for example, if grant income is received late in the year, the expenditure will not take place until the following year. It also allows some services, such as Building Maintenance, to operate as a fund where this is more practical.

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

- 4.3.1 The original budget for the HRA set in February 2018 anticipated a surplus in the year of £392,910. This was revised in the budget approved in January 2018, which anticipated a slightly higher surplus of £411,410. The reasons for this change were detailed in the HRA estimate report taken to Resources Board, with the main change being additional rent income from new build properties and a lower level of void properties. This more than offset the increase in revenue contributions needed for capital work, to compensate for the lower level of capital receipts from Council house sales.
- 4.3.2 The actual position on the HRA is not as good as expected in the revised budget, with a reduced surplus of £231,865 added to balances, instead of the £411,410 in the revised budget. Higher capital contributions than expected were needed to compensate for the lower capital receipts received, which was only partially offset by increased rental income and additional investment income.
- 4.3.3 The HRA holds a separate Housing Repairs Fund. This is used to cover the costs of day-to-day repairs and maintenance, including works undertaken by Housing Direct Works (HDW) and private companies. The balance on the Fund at the end of the year amounted to £839,671, which is available for the coming year.

## 5 Report Implications

### 5.1 Finance and Value for Money Implications

5.1.1 The actual position reported for both the General Fund and Housing Revenue Account for 2018/19 impacts upon future years. The General Fund is better than predicted when setting the 2019/20 budget. However, significant pressures for increased costs in future years continue, together with a lot of uncertainty over future funding arrangements. Although the Council has a number of additional reserves, these are earmarked for particular purposes. Savings will still be needed in order to preserve the level of general balances, whilst at the same time maintaining the quality of services and coping with additional responsibilities.

5.1.2 The starting position on the Housing Revenue Account is worse than predicted when setting the 2019/20 budget, but balances are still at an appropriate level.

### 5.2 Environment and Sustainability Implications

5.2.1 The Council has remained within its overall budgets for the 2018/19 year. This will assist in allowing the Council to manage its expected shortfall in resources, and minimise disruption to essential services.

### 5.3 Risk Management Implications

5.3.1 The risks of unanticipated changes affecting the financial position of the Council are minimised by the use of the budget strategy, as well as continual assessment, monitoring and reporting of any new financial impact affecting the Council

The Contact Officer for this report is Sue Garner (719374).

### Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
Executive Board	Sue Garner	General Fund Budget and Setting the Council Tax 2018/19	Feb 2018
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2018/19	January 2018
Executive Board	Sue Garner	General Fund Budget and Setting the Council Tax 2019/20	Feb 2019
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2019/20	January 2019





**NORTH WARWICKSHIRE BOROUGH COUNCIL****FINANCIAL STATEMENTS**  
**2018/19**

	Page
Corporate Director – Resources Narrative report to the Financial Statements	2
Statement of Responsibilities, Issue and Approval Date	11
<b><i>The Statement of Accounts: -</i></b>	
Movement in Reserves Statement	12
Comprehensive Income and Expenditure Statement	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Financial Statements	16
<b><i>Supplementary Financial Statements: -</i></b>	
Housing Revenue Account Income and Expenditure Statement	60
Movement on the Housing Revenue Account Statement	61
Notes to the Housing Revenue Account Statements	62
The Collection Fund Income and Expenditure Statement	66
Notes to the Collection Fund	68
Statement of Accounting Policies	69
Independent Auditors' Report	84
Glossary of Terms	85
Annual Governance Statement	88

We would welcome any comments or suggestions you have about this publication. Please contact Sue Garner, Corporate Director - Resources.

- Phone: 01827 719374
- E-mail address: [suegarner@northwarks.gov.uk](mailto:suegarner@northwarks.gov.uk)

# **Corporate Director - Resources Narrative Report**

## **1. An Introduction to North Warwickshire**

The Borough of North Warwickshire is a predominantly rural area, with over half of the area within the Green Belt. Towns and villages range in size from Atherstone parish with 8,000 residents to Seckington with just 51. However its location gives North Warwickshire a strategic position on the transport network, including easy access to the M6, M42 and M6 Toll, West Coast Mainline and Birmingham and East Midlands airports. As a result there are major logistics sites within the area.

Economic connections go in a number of directions: towards greater Birmingham, South Staffordshire, Leicestershire and Coventry, as well as within the county of Warwickshire. There isn't major unemployment within the Borough, although skills shortages in some areas have been identified.

Despite the strategic location, we have significant issues with communication and access within the Borough itself - there is an underlying issue with Broadband access and rural transport. An ageing population and financial constraints also impact on this.

### **Statistics Relating to North Warwickshire**

- The Borough covers **110 square miles**
- A resident population of around **64,069**, with White British the major ethnic group
- **£52 million** of business rates are collected annually - only £3 million of this is kept by the Council
- Council tax of **£38 million** is collected annually - only £4.4 million of this is kept by the Council
- We have **27** play areas and **10** sports pitches
- A current recycling rate of **48%**
- We dealt with **929** planning applications in 2018/19
- We manage and maintain **2,658** council houses
- We issued **683** licences
- There are **71** industrial units available for small businesses
- We run **2** leisure centres (3 to December 2018) and **1** swimming pool
- Refuse is collected from **28,300** domestic properties and **369** trade properties

## **2. Council Performance**

North Warwickshire has 17 wards, with the Council consisting of 35 Councillors who represent those wards. Since May 2015, a Conservative administration has been in political control of the Council. The Council's agreed Vision Statement is:

*'Protecting the rurality of North Warwickshire, supporting its communities and promoting the wellbeing of residents and businesses.'*

Six priorities for achieving that vision were agreed, with a corporate plan for 2018/19 to take those priorities forward. Some actions taken during the year are set out below:

### **Responsible Financial & Resources Management**

- Savings of £338,300 were taken out of the budget prepared for 2019/20, in line with the financial strategy
- Implemented the changes required under the General Data Protection Regulations
- Successfully applied for a grant from One Public Estate to assist in rationalising the Council's land holdings
- Carried out improvements to the Council's housing stock in line with the Asset Management Plan

### ***Creating Safer Communities***

- Promoted the safeguarding of children, young people and adults
- Worked with the Police on drug related issues within the Borough
- Used mobile CCTV cameras to help gather evidence of reported incidents
- Achieved the TSA accredited status for the Borough Care service for a further year

### ***Protecting Our Countryside and Heritage***

- Involvement in the examination process on the Local Plan, with a positive interim response received. Further hearings organised, to enable progress towards adoption
- Worked with North Warwickshire Heritage Forum to protect, promote and develop the area

### ***Improving Leisure and Wellbeing Opportunities***

- Promotion of cycling, through the International Women's Cycle Race and related activities
- Transferred Arley Leisure Centre to Elite Sports Development in December 2018, to protect the provision of leisure opportunities in Arley and the surrounding area

### ***Promoting Sustainable and Vibrant Communities***

- Worked in partnership with health colleagues to deliver more housing adaptations to allow residents to remain in their own homes
- Worked with partners to deliver ongoing food related projects
- Put systems and procedures in place to deliver the new homelessness legislation

### ***Supporting Employment and Business***

- Provided grants to rural businesses from the LEADER programme
- Improved broadband access for both residents and businesses through the roll out of the Broadband UK Project
- Delivery of training activities for adults, including sessions around digital skills

## **Governance Arrangements**

These are detailed in the Annual Governance Statement, which is set out at the end of the Financial Statements.

## **What's next?**

- Elections will be held for both Borough and Parish Councillors in May 2019
- The identification of savings of £800,000 for inclusion within the 2020/21 budget
- Continuing to promote the Borough Care service to increase customer take up and to shape the service for the future
- To work with public, voluntary and business partners to deliver on-going food related projects to support individuals and community organisations
- Continue the roll out of the Broadband UK (BDUK) project
- Work with partner organisations across the West Midlands for the benefit of North Warwickshire – the Council is part of the West Midlands Combined Authority as a non-constituent member.
- To tackle fly tipping through joint working and increased promotion, monitoring and enforcement
- To complete the new build schemes for affordable housing in Atherstone, Mancetter and Ansley Common.

## **Resident / Satisfaction Surveys**

An annual survey of council tenants is undertaken to assess their satisfaction with their homes, the service they receive and their locality. The survey in 2018/19 showed 83% satisfaction with the service provided by the Council and 81% satisfaction with the overall quality of homes.

The Council operates a complaints and compliments process. During 2018/19, 53 complaints and 52 compliments were received. This compared to 182 complaints and 62 compliments the previous year.

### 3. Financial Performance

North Warwickshire has faced significant financial challenges for a number of years due to reductions in funding from central government, together with cost pressures within services and greater volatility in financing.

We operate a Medium Term Financial Strategy for General Fund services, which covers the current year and the following three years. This strategy includes a requirement to find efficiencies and savings in our base budget position year on year. This ensures that we maintain enough general reserves in case we are faced with unexpected expenditure.

Since the Council moved to a self financing system for its council housing stock in 2013, we have used a 30 year Business Plan to manage the Housing Revenue Account. As a minimum the Plan is updated on an annual basis, with further revisions carried out if needed.

#### Revenue Spending in 2018/19

##### *General Fund Services*

These are all the services we provide except for our own council housing stock, which is funded and accounted for separately. We originally planned to spend £8.385 million after allowing for expected income generated by services. We continued to include some funding towards the introduction of faster broadband within North Warwickshire in the budget. The table below shows the actual spending against our plans.

	Planned Spending £000	Actual Spending £000
Community & Environment	5,357	5,427
Executive Services	616	639
Planning & Development	115	75
Licensing	(7)	(1)
Resources	2,063	1,841
Contingencies	122	-
Revenue spending on Capital Projects	119	119
Contribution to Balances	-	203
<b>Total Spending</b>	<b>8,385</b>	<b>8,303</b>

We planned to fund this spending mainly through council tax, government grant and business rates. We took the decision not to increase council tax in 2018/19, continuing to leave it at 2011/12 levels.

	Expected Funding £000	Actual Funding £000
Council Tax	4,396	4,396
Revenue Support Grant	191	191
New Homes Bonus	902	902
Business Rates	2,547	2,546
Interest on Balances	180	268
Use of Balances	169	-
<b>Total Funding</b>	<b>8,385</b>	<b>8,303</b>

The main changes from the planned budget relate to:

- Reduced staffing costs. In addition to savings arising from the normal turnover of staff, recruitment of staff has taken longer than expected in some areas. We review all vacancies as they arise and have kept some posts vacant whilst we carry out service reviews;
- There has been a significant increase in Planning Fee income;
- There has been a reduction in the net cost of Housing benefits;
- There has been no requirement to use the contingency sum set aside; and
- Investment income has increased due to a higher than expected rate of return on investments.

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

We are required to account separately for our own council housing stock, so this account shows the income and expenditure during the year on our Council housing.

Spending on services includes the day to day costs of managing and maintaining the stock. The Revenue Account also contributes to capital spending on planned refurbishment works and covers the borrowing costs of loans taken out to acquire the stock.

	Planned Spending £000	Actual Spending £000
Management Services	1,905	1,892
Repair Services	3,158	3,153
Cost of Borrowing	3,269	3,269
Capital spending on properties	3,063	3,642
Provision for Bad Debts	288	26
Income set aside in general balances for future spending	393	232
<b>Total Spending</b>	<b>12,076</b>	<b>12,214</b>

Spending on the Council's own housing stock is **not** paid for from Council Tax. It is mainly funded from the rents paid by tenants.

	Expected Funding £000	Actual Funding £000
Rents from housing, garages and shops	11,923	12,002
Service charges	96	107
Interest on Balances	57	105
<b>Total Funding</b>	<b>12,076</b>	<b>12,214</b>

The main changes from the planned budget relate to:

- An increase in the contributions to capital expenditure needed due to lower than expected receipts retained from the sale of council houses;
- Good rent collection levels have meant a lower contribution is needed to the bad debt provision;
- There has been an increase in rental income due to a lower level of right to buy sales and a lower level of void properties; and
- Higher interest rates have meant more interest earned on higher balances held by the Housing Revenue Account.

## **Revenue Reserves**

At the end of the year our total revenue reserves amounted to £21.183 million. These are shown below:

	General Fund £000	HRA £000
General balances – held for unexpected future events	3,750	4,691
Capital reserves – held for spending on assets with a lasting value	1,366	5,415
Earmarked reserves –held for specific purposes or activities	4,425	1,536
<b>Total</b>	<b>9,541</b>	<b>11,642</b>

## **Capital Spending**

Alongside our day to day costs we spend money on assets such as buildings, vehicles, equipment and computer systems. We assess capital requirements in outline terms over a ten year period each February, to ensure that we manage capital resources appropriately. As we have a shortfall of capital resources compared to assessed needs, this allows us to target resources towards the highest priorities. At the same time we produce a detailed three year programme, although the emphasis is on year one of the programme.

The 2018/19 capital programme shown below includes schemes from 2017/18 which were rolled forward due to timing issues. Actual spend in the year is also shown, together with commitments made which will be settled in 2019/20.

	Capital Programme £000	Spending in 2018/19 £000	2018/19 Commitments to Be Paid in 2019/20 £000
Council Housing – existing stock	6,394	4,229	1,568
Council Housing – new build	312	223	83
General Fund buildings	284	70	102
General Fund play areas and recreation grounds	249	103	-
General Fund vehicles	269	258	16
General Fund - IT and equipment	506	329	151
Private sector housing	58	11	-
<b>Total Spending</b>	<b>8,072</b>	<b>5,223</b>	<b>1,920</b>

Funding for capital spending that we received in the year included receipts from the sale of 'Right to Buy' council housing, sale of surplus land and contributions from some partners for specific schemes.

We used some of this to fund the spending in 2018/19. The remaining funding used in 2018/19 came from reserves earmarked for capital, revenue funding and Section 106 resources.

## **Collection Fund**

We collect business rates of £52 million from businesses within our area, which is kept in a separate account called the Collection Fund. Following business rate localisation introduced in 2013, the Council has to set aside a provision for future successful ratepayer appeals

against rateable valuations. This is our most significant provision, amounting to £5.6 million. At the 31 March 2019 we had 46 appeals outstanding from the 2010 valuation, and 214 appeals relating to the 2017 valuation.

As we collect business rates on behalf of the Government and Warwickshire County Council, as well as ourselves, only 40% of this provision is shown on our balance sheet.

### **Balance Sheet**

The Balance Sheet includes pension costs to meet International Financing Reporting Requirements. We show the assets and liabilities relating to retirement benefits we are responsible for as an employer, so that we show the true cost of our responsibilities. A net pension asset indicates that contributions have effectively been overpaid relative to the future benefits earned to date by our employees. A net liability shows an effective underpayment. Our fund liability has increased by £6.688 million in the year.

The pension fund is valued fully every three years. The last full valuation took place as at March 2016 and showed that the pension fund was 82% funded. Our contribution rate is being increased gradually, with the long term aim of achieving a 100% funding level. A further full valuation will take place as at March 2019, and will indicate whether the current level of increases is still suitable.

Despite the challenges faced by the Council, we are continuing to maintain a strong balance sheet:

	31 March 2018 £000	31 March 2019 £000
Non current assets	155,640	173,249
Net current assets – debtors, stock and cash less short term liabilities	11,816	16,377
Long term liabilities and provisions	(79,507)	(84,495)
<b>Net assets</b>	<b>87,949</b>	<b>105,131</b>
Represented by: Useable reserves	23,975	25,777
Represented by: Unusable reserves	63,974	79,354

Although we sold 23 properties under the Right to Buy legislation and a parcel of surplus land, there was an increase in non-current assets due to changes in the value of council dwellings.

### **Financial Challenges in 2019/20**

The Medium Term Financial Strategy was updated during the year. 2019/20 is the last year of the four year Funding Settlement announced in December 2015. Expected funding from central government for the remainder of the strategy has been estimated as no information is available going forward. Savings targets within the Strategy were also updated to reflect the expected funding and spending pressures. The reductions needed for 2019/20 were found before the year started, and included with the approved budget. The latest version of the Strategy requires further savings of £1.6 million over the following three years, with a target of £0.8 million to be found in 2019/20 ready for inclusion within the 2020/21 budget.

The latest revision of the HRA Business Plan anticipates a surplus of £75 million at the end of the 30 years, after capital spending on existing properties and new build of £181 million.

The projected capital resources over the next ten years will require the Council to continue with its policy of including only currently essential General Fund schemes in its expected programme. If we are to carry out other work, we will need to continue to find additional sources of funding. It may be necessary to rationalise existing properties held.

#### 4. People

We currently employ 381 people in full time and part time contracts. The make-up of our people is shown below:

Gender: Male 46%, Female 54%

Age: 24 and under 8%, 25-34 13%, 35-49 29%, 50-64 45%, 65 and over 5%

In addition we use casual staff to cover activities such as leisure coaching sessions.

#### 5. Principal Risks and Uncertainties

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat, and the likely impact.

The Council identifies both strategic and operational risks. Strategic risks are reviewed by the Senior Management Team, whilst operational risks are identified within services. The risk management process was audited in January 2016, and identified no major concerns in relation to the Council's approach.

The top risks from our 2018/19 risk register are shown below:

##### *Strategic*

<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
Impact on the Borough of the HS2 project	Loss of open spaces and community assets, transport and property valuation issues, air and noise pollution	Member of a Local Authority group lobbying the government and seeking mitigation, as well as becoming a qualifying authority
Insufficient corporate capacity to deal with all the issues facing the Council	Potential impact on resources and service delivery Seen as a failing authority, with a poor public image.	Identification of priorities, with regular review of tasks and capacity
The Council is unable to recruit, motivate and retain appropriately qualified staff	Service delivery would be affected	Continued good terms and conditions for staff. Use of shared working arrangements and partnerships
Expected efficiency savings and service improvements are not delivered whilst maintaining resilience	Adverse impact on service delivery	Use of a medium term financial strategy, with savings identified in advance and healthy balances maintained
Inadequate resources to maintain the Council's capital assets	Poorly maintained and potentially dangerous buildings	Long term capital programme with spending needs identified. Review of assets, with disposal where appropriate.
The instability of the Business Rates system	Impact on the Council's resources, leading to reduced services	Contingency held which can be used to offset short term losses. Regular monitoring / forecasting
Unplanned development happening across the Borough	Development in unsustainable locations	Inspection of the draft local plan progressing, with adoption anticipated early in 2019/20. Active monitoring of the 5 year housing supply



## Operational

<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
Reduced or no market for recyclable materials	A significant increase in the costs of the recycling service could lead to an inability to maintain the service at current levels and may impact on the provision of other services.	Ongoing discussions with local waste management companies. Latest material contracts have maximum gate fees and profit share element. Use of partnerships and joint procurement of contracts, which are regularly reviewed.
Virus' introduced into Council systems	Loss of systems, with resulting loss / reduction in the provision of services	Security / detection measures undertaken, with regular training for staff.
Failure to maintain the Council's tree stock to an appropriate safety standard	Injury to members of the public and staff. Damage to property.	System to manage customer contacts and address urgent works. Proactive monitoring of the Council's tree stock commenced.
A major out of hours environmental incident not responded to	An unsafe, illegal and ongoing situation not dealt with.	Agreed procedure for contacting relevant staff. Some contractual obligation but loosely drawn.
North Warwickshire considered a low priority for the use of policing resources	Levels of crime and disorder increase and the public lose confidence in the Police. Fear of crime increases within local communities. No grant is received and the opportunity to enhance community safety is lost.	NWBC member representation on the Police and Crime Panel. Use of a North Warwickshire Safer Communities Programme.
Pressure on HRA budgets due to ongoing rent reductions until 2020 and from the roll out of Universal Credit from September 2018	Ability to fund new build is curtailed, and the potential impact on planned capital works in the future	An increase in staffing resources to deal with the roll out of Universal Credit. Regular monitoring of the Business Plan.
Failure to maintain assets	Buildings not fit for purpose, impacting on the provision of services	Regular inspection of buildings and a rolling programme of repairs. Review of portfolio to assess future need for buildings.

## Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It is made up of core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards.

A Glossary of key terms can be found at the end of the statements.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by Board, reflecting the way the Council's budgets are built up. Expenditure represents a combination of:

- Services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and
- Discretionary expenditure focused on local priorities and needs such as the Borough Care service or leisure activity.

The bottom half of the statements deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.

The **Balance Sheet** shows the value of our assets, liabilities, cash balances and reserves at the year end date. Our net assets (assets less liabilities) are matched by the reserves we hold.

The **Cash Flow Statement** shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Supplementary Financial Statements** are:

The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

The **Housing Revenue Account** which separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The **Collection Fund** summarises the collection of council tax and business rates, and the redistribution of the majority of that money to Warwickshire County Council, Warwickshire Police Authority and central government.

The **Annual Governance Statement** which sets out the controls we have in place to ensure we run our business effectively and legally, and can properly account for our use of public money .

## STATEMENT OF RESPONSIBILITIES, ISSUE AND APPROVAL DATE

### The Council's Responsibilities

The Council is required to:

- 1) 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 North Warwickshire Borough Council that officer is the Corporate Director - Resources.
- 2) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 3) Approve the Statement of Accounts.

### The Corporate Director - Resources Responsibilities

The Corporate Director - Resources is responsible for the preparation of North Warwickshire Borough Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statements of Accounts the Corporate Director - Resources 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 Corporate Director - Resources has also:

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

### Issue Date

I certify that the Statement of Accounts 2018/19 give a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2019.

All known material events that have occurred up to and including this date, which relate to 2018/19 or before have been reflected in the accounts.

Signed: *S. J. Garner*

Date: *31/05/19*

Sue Garner BA CPFA, Corporate Director - Resources

## North Warwickshire Borough Council Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves" (unrealised gains and losses and accounting adjustments). The statement shows the true economic costs of providing services and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Increase/Decrease line shows the statutory movements in the year following those adjustments. 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	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants / Conts Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	3,814	5,096	3,321	3,794	5,545	1,536	-	23,106	67,752	90,858
<b>Movement in reserves during 2017/18</b>										
Total Comprehensive Income and Expenditure	(95)	-	(4,243)	-	-	-	-	(4,338)	1,429	(2,909)
Adjustments between accounting basis and funding basis under regulations (note 5)	112	-	6,975	-	957	-	-	8,044	(8,044)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	17	-	2,732	-	957	-	-	3,706	(6,615)	(2,909)
Transfers to/from Earmarked Reserves (note 6)	(285)	81	(1,594)	(1,040)	-	-	-	(2,838)	2,838	-
<b>Increase/(Decrease) in 2017/18</b>	(268)	81	1,138	(1,040)	957	-	-	868	(3,777)	(2,909)
<b>Balance at 31 March 2018 carried forward</b>	3,546	5,177	4,459	2,754	6,502	1,536	-	23,974	63,975	87,949
<b>Balance at 1 April 2018</b>	3,546	5,177	4,459	2,754	6,502	1,536	-	23,974	63,975	87,949
<b>Movement in reserves during 2018/19</b>										
Total Comprehensive Income and Expenditure	(4,318)	-	13,905	-	-	-	-	9,587	7,595	17,182
Adjustments between accounting basis and funding basis under regulations (note 5)	6,160	-	(12,507)	-	(1,948)	-	-	(8,295)	8,295	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	1,842	-	1,398	-	(1,948)	-	-	1,292	15,890	17,182
Transfers to/from Earmarked Reserves (note 6)	(1,638)	615	(1,166)	2,631	40	-	29	511	(511)	-
<b>(Decrease)/ Increase In Year</b>	204	615	232	2,631	(1,908)	-	29	1,803	15,379	17,182
<b>Balance at 31 March 2019 carried forward</b>	3,750	5,792	4,691	5,385	4,594	1,536	29	25,777	79,354	105,131

# North Warwickshire Borough Council

## Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2019

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 and rents. Councils raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis (note 27).

2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
920	(201)	719	Executive Board	996	(155)	841
9,227	(3,243)	5,984	Community and Environment Board	9,479	(3,517)	5,962
1,119	(1,474)	(355)	Planning and Development Board	1,294	(1,260)	34
121	(110)	11	Licensing Committee	123	(114)	9
19,288	(17,012)	2,276	Resources Board – Services	18,579	(16,260)	2,319
979	(636)	343	Resources Board – Recharged Services	477	(559)	(82)
11,456	(13,841)	(2,385)	Resources Board – Housing Revenue Account	12,119	(13,202)	(1,083)
<b>43,110</b>	<b>(36,517)</b>	<b>6,593</b>	<b>COST OF SERVICES</b>	<b>43,067</b>	<b>(35,067)</b>	<b>8,000</b>
1,330	(722)	608	Other Operating expenditure (Note 7)	1,782	(277)	1,505
2,606	(2,847)	(241)	Financing and investment income and expenditure (Note 8)	2,865	(2,630)	235
1,291	(10,143)	(8,852)	Taxation and non-specific grant income (Note 9)	2,782	(14,169)	(11,387)
<b>48,337</b>	<b>(50,229)</b>	<b>(1,892)</b>	<b>Deficit /(Surplus) on Provision of Services</b>	<b>50,496</b>	<b>(52,143)</b>	<b>(1,647)</b>
8,015	-	8,015	Surplus or Deficit on revaluation of Property, Plant and Equipment	-	(12,648)	(12,648)
8	-	8	Surplus or Deficit on revaluation of Available for Sale Financial Assets	-	-	-
-	-	-	Surplus or Deficit on financial assets measured at fair value through other comprehensive income	-	(47)	(47)
-	(1,792)	(1,792)	Remeasurement of the net defined benefit pension liabilities/ (assets)	4,755	-	4,755
<b>8,023</b>	<b>(1,792)</b>	<b>6,231</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>4,755</b>	<b>(12,695)</b>	<b>(7,940)</b>
<b>56,360</b>	<b>(52,021)</b>	<b>4,339</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>55,251</b>	<b>(64,838)</b>	<b>(9,587)</b>

# North Warwickshire Borough Council

## Balance Sheet as at 31 March 2019

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 may only be used to fund capital expenditure or repay debt). The second category of reserves are 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 2018 £000		Note	31 March 2019 £000
146,908	Property, Plant and Equipment	10	164,686
631	Heritage Assets	11	664
7,942	Investment Property	12	7,758
159	Intangible Assets	13	141
-	Long Term Debtors	14	-
<b>155,640</b>	<b>LONG TERM ASSETS</b>		<b>173,249</b>
23,037	Short Term Investments	14/40	26,599
-	Assets held for Sale	19	-
50	Inventories	15	56
1,104	Short Term Debtors	14/17	1,250
3,869	Cash and Cash Equivalents	18	6,633
<b>28,060</b>	<b>CURRENT ASSETS</b>		<b>34,538</b>
(3,149)	Provisions	21	(2,222)
(13,095)	Short Term Creditors	14/20	(15,939)
<b>(16,244)</b>	<b>CURRENT LIABILITIES</b>		<b>(18,161)</b>
(51,939)	Long Term PWLB Loans	40	(50,239)
(27,568)	Pension Fund Liabilities	39	(34,256)
<b>(79,507)</b>	<b>LONG TERM LIABILITIES</b>		<b>(84,495)</b>
<b>87,949</b>	<b>NET ASSETS</b>		<b>105,131</b>
23,974	Usable Reserves	22	25,777
63,975	Unusable Reserves	23	79,354
<b>87,949</b>	<b>TOTAL RESERVES</b>		<b>105,131</b>

Signed S. J. Garner

Date 31/05/19

Sue Garner BA CPFA, Corporate Director - Resources

## North Warwickshire Borough Council

### Cash Flow Statement for the Year Ended 31 March 2019

The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting year. 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 council. 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.

2017/18 £000		2018/19 £000
(1,892)	Net deficit or (surplus) on the provision of services	(1,647)
(7,541)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24)	(4,085)
401	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	(523)
(9,032)	Net cash flows from Operating Activities	(6,255)
728	Investing Activities (Note 25)	1,629
6,912	Financing Activities (Note 26)	1,862
(1,392)	Net Increase or decrease in cash and cash equivalents	(2,764)
(2,477)	Cash and Cash Equivalents at the beginning of the reporting year	(3,869)
<b>(3,869)</b>	<b>Cash and Cash Equivalents at the end of the reporting year (Note 18)</b>	<b>(6,633)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new or amended standard that has been issued but not yet adopted. The following new or amended accounting standards, which are relevant for 2018/19, are as follows:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC has deferred implementation of IFRS16 for local government to 1 April 2020.
- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the Council's accounts.
- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

The Code does not anticipate that these amendments will have a material impact on the information provided in our statements, as they are unlikely to change the information in the reported net costs of services or the Surplus or Deficit on the Provision of Services.

### 2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 69 - 84, we have had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, we have a medium term financial strategy in place which should allow us to manage any future reductions in service that may be needed. As a result we have determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.



### 3. 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 us about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial years 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 capital spending that will be incurred in relation to individual assets. Any unanticipated spending on assets will put a strain on the remaining capital resources available which may bring into doubt the useful lives assigned to other assets.	<p>If the useful life of assets is reduced depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by around £290,510 for every year that useful lives had to be reduced.</p>
Pensions Liability	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 age, 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>The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 1% increase in the discount rate assumption would result in a decrease in the pension liability of £21.772 million.</p> <p>However, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pension's liability had increased by £7.917 million attributable to updating the assumptions.</p>

Provisions – NDR Appeals	<p>Local Authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. Therefore, a provision has been made of the amount that businesses have been overcharged up to 31 March 2019. The estimate for both 2010 and 2017 valuation appeals has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals up to and including 31 March 2019. An additional figure for HS2 has been estimated. The Council's share of the balance of business rate appeals provisions at this date amounted to £2.222m this has decreased by £0.927m from the previous year.</p>	<p>If successful appeals increased by 10%, this would require an additional £555,513. This Council's share would be £222,205 to be set aside as a provision.</p>
--------------------------	---	--

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	<p>At 31 March 2019, we had a balance of sundry debtors of £217,325, whilst our share of council tax and NDR arrears amounted to £389,801.</p> <p>A review of significant balances, using a sliding scale based on age, suggested that the following impairments of doubtful debts were appropriate:</p> <ul style="list-style-type: none"> <li>- sundry debtors 17.28% (£37,564)</li> <li>- council tax 29.62% (£55,560)</li> <li>- NDR 15.91% (£32,172).</li> </ul> <p>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 doubtful debts would require an additional £125,296 to be set aside as an allowance.</p>

#### 4. Material Items of Income and Expense

In overall terms the Council's housing stock increased in value during the year. Revaluation gains of £12.544 million went to the Housing Revenue Account. There were also some small gains on other properties across the Borough, of £0.338 million.

## **5. Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure we have included in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to us 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 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 HRA 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.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied 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.

2018/19	Usable Reserves						Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments to Revenue Resources</b>							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
• Pension costs (transferred to (or from) the Pensions Reserve)	(6,420)	(268)	-	-	-	-	6,688
• Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	2,358	-	-	-	-	-	(2,358)
• Holiday pay (transferred to the Accumulated Absences Account)	(11)	-	-	-	-	-	11
• Financial Instruments (transferred to the Financial Instruments Revaluation Reserve)	47	-	-	-	-	-	(47)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,332)	10,983	-	-	-	-	(8,651)
<b>Total Adjustments to Revenue Resources</b>	<b>(6,358)</b>	<b>10,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,357)</b>
<b>Adjustments between Revenue and Capital Resources</b>							
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	1,800	(1,800)	-	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(8)	8	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(321)	-	321	-	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(2,778)	-	-	2,778
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	400	-	-	-	-	-	(400)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	119	-	-	-	-	-	(119)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>198</b>	<b>1,792</b>	<b>(1,471)</b>	<b>(2,778)</b>	<b>-</b>	<b>-</b>	<b>2,259</b>
<b>Adjustments to Capital Resources</b>							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	3,419	-	-	-	(3,419)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,778	-	-	(2,778)
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>3,419</b>	<b>2,778</b>	<b>-</b>	<b>-</b>	<b>(6,197)</b>
<b>Total Adjustments</b>	<b>(6,160)</b>	<b>12,507</b>	<b>1,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,295)</b>

2017/18	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pension costs (transferred to (or from) the Pensions Reserve)	24	(300)	-	-	-	276
• Council tax and NDR (transfers to or from the collection Fund)	1,357	-	-	-	-	(1,357)
• Holiday pay (transferred to the Accumulated Absences Account)	(12)	2	-	-	-	10
• Financial Instruments (transferred to the Available for sale Financial Instruments)	(8)	-	-	-	-	8
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,534)	(8,965)	-	-	-	11,499
<b>Total Adjustments to Revenue Resources</b>	<b>(1,173)</b>	<b>(9,263)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,436</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	877	2,298	(3,173)	-	-	(2)
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(18)	(10)	28	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(321)	-	321	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(2,331)	-	2,331
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	415	-	-	-	-	(415)
Capital expenditure financed from revenue balances (transfer to the -Capital Adjustment Account)	108	-	-	-	-	(108)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,061</b>	<b>2,288</b>	<b>(2,824)</b>	<b>(2,331)</b>	<b>-</b>	<b>1,806</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,867	-	-	(1,867)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,331	-	(2,331)
Application of capital grants to finance capital expenditure	-	-	-	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>1,867</b>	<b>2,331</b>	<b>-</b>	<b>(4,198)</b>
<b>Total Adjustments</b>	<b>(112)</b>	<b>(6,975)</b>	<b>(957)</b>	<b>-</b>	<b>-</b>	<b>8,044</b>

## 6. Movement in Earmarked Reserves

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

	Balance at 1 April 2017	Transfers Out 2017/18	Transfers in 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers in 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>							
External funding received towards the provision of council services	1,105	(104)	244	1,245	(126)	168	1,287
One off funding set aside to progress specific council priorities	95	(22)	38	111	(18)	41	134
Contingency funding set aside to cover potential risks on areas such as VAT recovery and business rates	1,024	(550)	147	621	-	914	1,535
Other reserves held for revenue purposes to cover timing issues on spending	1,675	(108)	277	1,844	(511)	136	1,469
Reserves Held for Capital Spending	1,197	(49)	208	1,356	(832)	842	1,366
<b>Total General Fund Reserves</b>	<b>5,096</b>	<b>(833)</b>	<b>914</b>	<b>5,177</b>	<b>(1,487)</b>	<b>2,101</b>	<b>5,791</b>
<b>HRA</b>							
Housing Repairs Reserve	488	(3,060)	3,115	543	(2,856)	3,153	840
Reserves held for Capital spending	3,306	(5,775)	4,680	2,211	(5,198)	7,562	4,575
<b>Total HRA Reserves</b>	<b>3,794</b>	<b>(8,835)</b>	<b>7,795</b>	<b>2,754</b>	<b>(8,054)</b>	<b>10,715</b>	<b>5,415</b>
<b>Total Earmarked Reserves</b>	<b>8,890</b>	<b>(9,668)</b>	<b>8,709</b>	<b>7,931</b>	<b>(9,541)</b>	<b>12,816</b>	<b>11,206</b>

## 7. Other Operating Expenditure

2017/18		2018/19
£000		£000
950	Parish council precepts	982
59	Grant to Parishes towards a loss of precept	-
321	Payments to the Government Housing Capital Receipts Pool	321
(722)	(Gains)/Losses on the disposal of non-current assets	202
<b>608</b>	<b>Total</b>	<b>1,505</b>

## 8. Financing and Investment Income and Expenditure

2017/18		2018/19
£000		£000
58	Interest payable and similar charges	104
727	Pensions interest and expected return on pension assets	759
(122)	Interest receivable and similar income	(268)
(904)	Income and expenditure in relation to investment properties and changes in their fair value	(360)
<b>(241)</b>	<b>Total</b>	<b>235</b>

## 9. Taxation and Non-specific Grant Income and Expenditure

2017/18		2018/19
£000		£000
(5,276)	Council tax income **	(5,331)
(1,301)	Non Domestic rates – Collection Fund adjustments ***	(4,019)
(1,793)	Non Domestic rates	(1,846)
(482)	Non-ring fenced government grants *	(191)
<b>(8,852)</b>	<b>Total</b>	<b>(11,387)</b>

\* Non-ring fenced government grants are shown individually in note 33.

\*\* Council Tax income includes £134,390 contribution from the collection fund in 2018/19 (a contribution of £118,170 was included in 2017/18). The Council's share of the residual balance of £46,908 is detailed in note 23 on the collection fund adjustment account. This will be adjusted in 2019/20 (£2,312 adjustment in 2018/19).

\*\*\* This covers all of the movements on NDR transactions required to leave North Warwickshire Borough Council's share of business rates.

## 10. Property, Plant and Equipment

Movements in balances in 2018/19:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
As at 1 April 2018	92,095	54,802	5,971	88	137	-	66	153,159
Additions	4,309	127	601	-	-	14	-	5,051
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,684	1,820	-	-	-	-	-	4,504
Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of Services	7,308	4,070	-	-	-	-	-	11,378
De-recognition – disposals	(967)	(870)	(291)	-	-	-	-	(2,128)
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-
<b>As at 31 March 2019</b>	<b>105,429</b>	<b>59,949</b>	<b>6,281</b>	<b>88</b>	<b>137</b>	<b>14</b>	<b>66</b>	<b>171,964</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2018	(2,333)	(706)	(3,190)	(22)	-	-	-	(6,251)
Depreciation charge	(2,693)	(786)	(725)	(3)	-	-	-	(4,207)
Depreciation written out on revaluations recognised in the Revaluation Reserve	2,206	660	-	-	-	-	-	2,866
Impairment loss / (reversal) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment loss / (reversal) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition – disposals	12	25	277	-	-	-	-	314
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>(2,808)</b>	<b>(807)</b>	<b>(3,638)</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,278)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>102,621</b>	<b>59,142</b>	<b>2,643</b>	<b>63</b>	<b>137</b>	<b>14</b>	<b>66</b>	<b>164,686</b>
<b>At 31 March 2018</b>	<b>89,762</b>	<b>54,096</b>	<b>2,781</b>	<b>66</b>	<b>137</b>	<b>-</b>	<b>66</b>	<b>146,908</b>



Comparative movements in balances in 2017/18:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
As at 1 April 2017	96,350	56,226	6,083	88	137	720	66	159,670
Additions	2,538	42	120	-	-	3,923	-	6,623
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of services	(8,006)	(1,952)	-	-	-	(1,319)	-	(11,277)
De-recognition – disposals	(1,114)	(511)	(232)	-	-	-	-	(1,857)
Other movements in Cost or Valuation	2,327	997	-	-	-	(3,324)	-	-
<b>As at 31 March 2018</b>	<b>92,095</b>	<b>54,802</b>	<b>5,971</b>	<b>88</b>	<b>137</b>	<b>-</b>	<b>66</b>	<b>153,159</b>
<b>Accumulated Depreciation and Impairment</b>								
As at 1 April 2017	(2,358)	(617)	(2,735)	(17)	-	-	-	(5,727)
Depreciation charge	(2,249)	(669)	(686)	(3)	-	-	-	(3,607)
Depreciation written out on revaluations recognised in the Revaluation Reserve	2,258	580	-	-	-	-	-	2,838
Impairment loss /(reversal) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment loss /(reversal) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition - disposals	16	-	231	-	-	-	-	247
Other movements in Depreciation and Impairment	-	-	-	(2)	-	-	-	(2)
<b>As at 31 March 2018</b>	<b>(2,333)</b>	<b>(706)</b>	<b>(3,190)</b>	<b>(22)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,251)</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>89,762</b>	<b>54,096</b>	<b>2,781</b>	<b>66</b>	<b>137</b>	<b>-</b>	<b>66</b>	<b>146,908</b>
<b>At 31 March 2017</b>	<b>93,992</b>	<b>55,609</b>	<b>3,348</b>	<b>71</b>	<b>137</b>	<b>720</b>	<b>66</b>	<b>153,943</b>

## Depreciation

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

Building	Assumed Life (Years)
Leisure Centres	5 – 50
Other arts/leisure venues	2
Community Centres	1 - 50
Pavilions	10 – 43
Hostels	50
Shops	3 – 50
Public Conveniences	20
Offices and Depot	20 – 50
Council Houses	40 - 50
Garages	3 - 20

## Capital Commitments

At 31 March 2019 the capital commitments outstanding totalled approximately £1.92m. The major commitments were:

- £0.504m for an energy saving programme,
- £0.339m for an electrics programme,
- £0.298m for a kitchens and bathrooms programme,
- £0.277m for a windows and doors programme and
- £0.137m for a CCTV system.

## Effect of changes in Estimates

We have not changed any of the depreciation methods used in valuing our assets. However, the estimated useful lives of a number of assets have been reassessed and amended in 2018/19. The financial effect of any changes is detailed in the table below.

Asset Description	Original End Date	Revised End Date	Financial effect on Depreciation Charges £000
Council House Dwellings	31/03/2067	31/03/2068	(41)
Garages	31/03/2037	31/03/2038	(5)
<b>Total</b>			<b>(46)</b>

## Revaluations

We carry out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations were carried out by the Council's valuer (employed through an agency), Mr Richard Lewis (FRICS), who is a Chartered Valuation Surveyor. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The valuation methods used for each type of asset category are detailed in note 16 of the Accounting Policies section (Property, Plant and Equipment).

The significant assumptions applied in estimating the current values are:

- An adjustment factor of 40% to discount the market valuation of council houses to reflect their use for social housing;
- Valuations on properties have been split between the element relating to the land as well as the building. The building is depreciated over the useful economic life of the asset whilst land is not depreciated.

The following table shows the revaluation of property, plant and equipment over the last 5 years.

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	85,533	56,344	6,354	122	148,353
Valued at current value as at:					
31 March 2019	18,621	6,731	1,211	(1)	26,562
31 March 2018	(8,398)	(5,804)	475	-	(13,727)
31 March 2017	8,586	2,114	(275)	-	10,425
31 March 2016	6,585	(1,958)	(1,196)	(706)	2,725
31 March 2015	(5,498)	2,522	(287)	665	(2,598)
<b>Total Cost or Valuation</b>	<b>105,429</b>	<b>59,949</b>	<b>6,282</b>	<b>80</b>	<b>171,740</b>

## 11. Heritage Assets

Our heritage assets are the civic regalia we hold, which consist of a number of items of gold used ceremonially by the Mayor and Consort, plus deputies. Two of these items relate to the chains of office for Atherstone Rural District Council, the predecessor of North Warwickshire Borough Council. The value of the assets is shown below.

<b>2017/18 £000</b>	<b>Civic Regalia</b>	<b>2018/19 £000</b>
	Cost or Valuation	
<b>666</b>	<b>Balance as at 1 April</b>	<b>631</b>
<b>(35)</b>	<b>Revaluations</b>	<b>33</b>
<b>631</b>	<b>Balance as at 31 March</b>	<b>664</b>

## Five-Year Summary of Transactions

	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Civic Regalia	535	574	666	631	664

## 12. Investment Property

If we hold assets for the purpose of providing public services, then the assets are classed as property assets. However, if we hold assets with the purpose of generating revenue income, which can be used to offset the costs of other services, then these are shown as Investment Property.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

<b>2017/18 £000</b>		<b>2018/19 £000</b>
<b>(500)</b>	Rental income from investment property	<b>(525)</b>
<b>180</b>	Direct operating expenses arising from investment property	<b>161</b>
<b>(584)</b>	Change in fair value of investment property	<b>4</b>
<b>(904)</b>	<b>Net gain</b>	<b>(360)</b>

There are no restrictions on our ability to realise the value inherent in our investment property or on our right to the remittance of income and the proceeds of disposal. We have 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:

2017/18 £000		2018/19 £000
7,344	<b>Balance at start of the year</b>	7,942
14	Expenditure during the year	-
-	Disposals	(180)
584	Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement	(4)
7,942	<b>Balance at the end of the year</b>	7,758

### Fair Value Hierarchy

Inputs to the valuation techniques in respect of fair value measurement in the Council's Financial Statements are categorised within the fair value hierarchy, as follows:

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

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

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

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Residential properties	-	178	-	178
Commercial units	-	5,768	-	5,768
Shops and Restaurants	-	1,155	-	1,155
Land	-	657	-	657
<b>Total</b>	-	<b>7,758</b>	-	<b>7,758</b>

## 2018 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2018 £000
Residential properties	-	154	-	154
Commercial units	-	5,678	-	5,678
Shops and Restaurants	-	1,144	-	1,144
Land	-	966	-	966
<b>Total</b>	-	<b>7,942</b>	-	<b>7,942</b>

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being classified as level 2 on the fair value hierarchy.

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

### Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### 13. Intangible Assets

We account for 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. Our intangible assets relate to software licences. All 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.

These assets have been amortised on a straight-line basis over their anticipated lives, the same method used for writing down our intangible assets in previous years. The amortisation of £56,788 charged to revenue in 2018/19 was charged to the Information Services cost centre and then absorbed as an overhead across the relevant service headings in the Net Expenditure of Services. The Housing Rents, Housing Direct Works and IBS systems which relate to housing were attributed directly to the Housing Revenue Account. The planning system was apportioned to the Planning and Development Service. Corporate systems such as the Total finance system and Microsoft Licences are recharged across all services.

We have not changed any of the depreciation methods or estimated useful lives used in valuing our assets. The movement on Intangible Asset balances during the year is as follows:

	2017/18	2018/19
	Software Licences £000	Software Licences £000
<i>Balance at start of year</i>		
Gross carrying amounts	1,751	1,700
Accumulated amortisation	(1,548)	(1,541)
<b>Net carrying amount at start of year</b>	<b>203</b>	<b>159</b>
<i>Additions:</i>		
Expenditure in the year	14	38
Amortisation for the year	(55)	(56)
Net Disposals in the year	(3)	-
<b>Net carrying amount at end of year</b>	<b>159</b>	<b>141</b>
<i>Comprising:</i>		
▪ Gross carrying amounts	1,700	1,738
▪ Accumulated amortisation	(1,541)	(1,597)
<b>Net carrying amount at end of year</b>	<b>159</b>	<b>141</b>

The software licences are held for a number of systems of varying sizes. Only the main ones are detailed below:-

- Firmstep Achieve. The software cost £41,121 in 2013/14 and is being amortised over a 7 year life until 2019/20,
- Planning System (SX3). The software cost £137,563 in 2005/06 and 2006/07 with an upgrade costing £11,651 in 2013/14. The upgraded software is being amortised until 2019/20,
- Payment Management System (PMS). This was purchased during 2012/13 costing £83,772 with an upgrade costing £17,491 in 2018/19 and is being amortised over a period of 10 years,
- Gladstone Leisure System. The software cost £40,838 in 2014/15 and 2015/16. The cost is being amortised over 7 years until 2021/22,
- Citrix System. The software cost £39,371 in 2015/16 and is being amortised over a 5 year life until 2020/21,
- Windows Client. The software cost £32,483 in 2015/16 and is being amortised over a 5 year life until 2020/21,
- Website. The software cost £42,821 in 2015/16 and is being amortised over a 5 year life until 2020/21.
- Windows Server Licences. The software licences cost £10,421 in 2017/18 and is being amortised over a 5 year life until 2022/23.

## 14. Financial Instruments

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

- **Financial Assets**

As at 31 March 2019	Non-Current		Current		Total 31 March 2019 £000
	Investments	Debtors	Investments	Debtors	
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	
<b>Amortised Cost</b>					
Loans and Receivables	-	-	7,034	-	7,034
Debtors	-	-		1,250	1,250
<b>Fair Value through Profit and Loss</b>					
Certificates of Deposit	-	-	13,565	-	13,565
Ultra Short Dated Bond Funds	-	-	6,000	-	6,000
<b>Total Financial Assets</b>	-	-	<b>26,599</b>	<b>1,250</b>	<b>27,849</b>

As at 31 March 2018	Non-Current		Current		Total 31 March 2018 £000
	Investments	Debtors	Investments	Debtors	
	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000	
<b>Amortised Cost</b>					
Loans and Receivables	-	-	7,021	-	7,021
Debtors	-	-		1,104	1,104
<b>Fair Value through Profit and Loss</b>					
Certificates of Deposit	-	-	10,016	-	10,016
Ultra Short Dated Bond Funds	-	-	6,000	-	6,000
<b>Total Financial Assets</b>	-	-	<b>23,037</b>	<b>1,104</b>	<b>24,141</b>

- **Financial Liabilities**

As at 31 March 2019	Non-Current		Current		Total 31 March 2019 £000
	Borrowing (PWLB)	Creditors	Borrowing (PWLB)	Creditors	
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	
Amortised Cost	50,239	-	-	15,939	66,178
<b>Total Financial Liabilities</b>	<b>50,239</b>	-	-	<b>15,939</b>	<b>66,178</b>

As at 31 March 2018	Non-Current		Current		Total 31 March 2018 £000
	Borrowing (PWLB)	Creditors	Borrowing (PWLB)	Creditors	
	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000	31 March 2018 £000	
Amortised Cost	51,939	-	-	13,095	65,034
<b>Total Financial Liabilities</b>	<b>51,939</b>	-	-	<b>13,095</b>	<b>65,034</b>

## Effect of Asset Reclassification and Remeasurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

New Classifications at 1 April 2018:

	Fair value through profit and Loss £000	Total Balance Sheet Carrying Amount £000
Current Investments	23,037	23,037
Current Debtors	1,104	1,104
<b>Remeasured carrying amounts at 1 April 2018</b>	<b>24,141</b>	<b>24,141</b>

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- Shares with a carrying amount of £16,016,000 were reclassified from available for sale to fair value through profit or loss as they are part of a Business Model to sell assets.
- Loans with a carrying amount of £7,021,000 were reclassified from loans and receivables to fair value through profit or loss because, although contractual payments are determinable, they have elements based on the borrower's performance that are not specifically principal or interest.
- The value of debtors reported meet the definition of a financial instrument and are reported at Note 17.

## Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statements in relation to financial instruments are made up as follows:

Financial Instruments	(Surplus) or Deficit on the Provision of Services	(Surplus) or Deficit on the Provision of Services
	2017/18 £000	2018/19 £000
Financial Assets Measured at Fair Value Through Profit or Loss	8	(47)
<b>Total net gains/losses</b>	<b>8</b>	<b>(47)</b>
Financial Assets Measured at Amortised Cost	122	268
<b>Total interest revenue</b>	<b>122</b>	<b>268</b>
PWLB Loan interest expense	1,593	1,569
<b>Total fee expense</b>	<b>1,593</b>	<b>1,569</b>



**Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)**

Financial liabilities and financial assets, represented by borrowing and investments, are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Early redemption rates for loans from the PWLB as at 31 March 2019,
- No early repayment or impairment is recognised in the accounts.

The fair values are calculated as follows:

31 March 2018	31 March 2018		31 March 2019	31 March 2019
Carrying Amount on Balance Sheet £000	Fair Value Calculation £000		Carrying Amount on Balance Sheet £000	Fair Value Calculation £000
51,939	56,418	PWLB Debt	50,239	56,040
<b>51,939</b>	<b>56,418</b>	<b>Total Borrowings</b>	<b>50,239</b>	<b>56,040</b>
7,021	7,021	Money Market Funds < 1 year	7,034	7,034
<b>7,021</b>	<b>7,021</b>	<b>Total Investments</b>	<b>7,034</b>	<b>7,034</b>

*Borrowings:* the fair value is more than the carrying amount because the Council's loans are fixed at a higher rate than was available at 31 March 2019. This shows a notional loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to the PWLB above current market rates.

*Investments:* The fair value is the carrying amount, as the authority's investments are all less than one year to maturity.

➤ **Loans below Market Rates**

During 2018/19 the Council granted Disabled Facilities loans to 44 private owner occupiers totalling £52,085 and did not grant any Decent Homes Standard loans to private owner occupiers. The Council is due to have the loans repaid when the properties are sold in the future. Given the uncertainty of future timescales, these loans have been fully funded through the Council's capital programme. Any funds recovered in the future will therefore be a windfall to the Council.

## 15. Inventories

	Consumable Stores	Consumable Stores	Maintenance Materials	Maintenance Materials	Client services Work in Progress	Client services Work in Progress	Total	Total
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
<b>Balance at start of year</b>	32	31	19	18	2	1	53	50
Purchases	329	352	318	332	-	-	647	684
Recognised as an expense in the year	(330)	(349)	(319)	(328)	(1)	(1)	(650)	(678)
<b>Balance at year end</b>	<b>31</b>	<b>34</b>	<b>18</b>	<b>22</b>	<b>1</b>	<b>-</b>	<b>50</b>	<b>56</b>

## 16. Construction Contracts

At 31 March 2019 we had no construction contracts physically under construction, but however there are some contractual retentions still outstanding to be settled during 2019/20.

## 17. Short Term Debtors

31 March 2018 £000		31 March 2019 £000
674	Trade Receivables	481
192	Prepayments	315
268	Local Taxation	474
223	Council Rents	199
34	Other Receivables	77
(287)	Bad debt provision	(296)
<b>1,104</b>	<b>TOTAL</b>	<b>1,250</b>

## 18. Cash and Cash Equivalents

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

31 March 2018 £000		31 March 2019 £000
2	Cash held by the Council	2
3,867	Bank current accounts	6,631
<b>3,869</b>	<b>Total Cash and Cash Equivalents</b>	<b>6,633</b>

## 19. Assets Held for Sale

There were no assets held for sale at 31 March 2019.

## 20. Short Term Creditors

31 March 2018 £000		31 March 2019 £000
1,314	Trade Payables	1,973
1,526	Receipts in advance	1,243
138	Other Payables	148
9,947	Local Taxation	12,390
170	Council Rents	185
<b>13,095</b>	<b>TOTAL</b>	<b>15,939</b>

## 21. Provisions

Business Rate Payers can appeal against the rateable value of their properties to the Valuation Office. If they are successful, we will have to refund a proportion of the rates which they have paid. An additional provision of £319 million has been set aside in the Collection Fund at 31 March 2019 (£3.849 million at 31 March 2018), to cover possible refunds. Of the £7.873 million set aside at 31 March 2018 we have settled claims of £2.637 million from that sum. Our share of the additional provision is £0.128 million (40%) (£1.539 million at 31 March 2018), with the remaining 60% falling to central government and Warwickshire County Council.

31 March 2018 £000		31 March 2019 £000
2,007	Opening Balance set aside as at 31 <sup>st</sup> March	3,149
3,010	Add back - share to Central Government and Warwickshire County Council (60%)	4,724
(993)	Settled claims in year	(2,637)
<b>4,024</b>	<b>Sub Total</b>	<b>5,236</b>
3,849	Additional provision made in year	319
<b>7,873</b>	<b>Sub Total</b>	<b>5,555</b>
(4,724)	Less - share to Central Government and Warwickshire County Council (60%)	(3,333)
<b>3,149</b>	<b>TOTAL</b>	<b>2,222</b>

## 22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MIRS) on page 12. The Earmarked Reserves (General Fund and HRA) columns on the MIRS are further detailed in Note 6.

## 23. Unusable Reserves

31 March 2018 £000		31 March 2019 £000
(8,425)	Revaluation Reserve	(13,481)
(81,700)	Capital Adjustment Account	(96,317)
27,568	Pensions Reserve	34,256
(138)	Collection Fund Adjustment Account - CT	(91)
(1,415)	Collection Fund Adjustment Account - NDR	(3,819)
138	Accumulated Absences Account	148
(3)	Available for Sale Financial Instruments Reserve	-
-	Financial Instruments Revaluation Reserve	(50)
<b>(63,975)</b>	<b>Total Unusable Reserves</b>	<b>(79,354)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible 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.

2017/18 £000		2018/19 £000
(9,176)	<b>Balance at 1 April</b>	(8,425)
540	(Upward)/Downward revaluation of assets	(5,361)
-	Difference between fair value depreciation and historical cost depreciation	-
211	Amount written off to the Capital Adjustment Account	305
<b>(8,425)</b>	<b>Balance at 31 March</b>	<b>(13,481)</b>

#### Capital Adjustment Account

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

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluations gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the sources of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £000			2018/19 £000	
	(85,789)	<b>Balance at 1 April</b>		(81,700)
		<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
3,615		▪ Charges for depreciation and impairment of non-current assets	4,247	
7,696		▪ Revaluation (gains) / losses on Property, Plant and Equipment	(13,192)	
55		▪ Amortisation of intangible assets	57	
-		▪ Revenue expenditure funded from capital under statute	-	
2,072		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,881	
	<b>13,438</b>	<b>Sub Total</b>		<b>(7,007)</b>
(211)		Adjusting amounts written out of the Revaluation Reserve	(305)	
24	(187)	Movements in the market value of Investment Property	(100)	(405)
		<i>Capital financing applied in the year:</i>		
(1,870)		▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(3,432)	
-		▪ Use of the Major Repairs Reserve to finance new capital expenditure	-	
(155)		▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(117)	
(996)		▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-	
(2,015)		▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,100)	
(4,126)	(9,162)	▪ Capital expenditure charged against the General Fund and HRA balances	(1,556)	(7,205)
	<b>(81,700)</b>	<b>Balance at 31 March</b>		<b>(96,317)</b>

### The 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 the pension fund 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.

2017/18 £000		2018/19 £000
27,292	<b>Balance at 1 April</b>	27,568
(1,792)	Re measurement of the net defined benefit liability/(asset)	4,755
3,831	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	3,734
(1,763)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,801)
27,568	<b>Balance at 31 March</b>	34,256

#### Collection Fund Adjustment Account

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

Council Tax 2017/18 £000	Non Domestic Rates 2017/18 £000		Council Tax 2018/19 £000	Non Domestic Rates 2018/19 £000
(141)	(55)	<b>Balance at 1 April</b>	(138)	(1,415)
3	(1,360)	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	47	(2,404)
(138)	(1,415)	<b>Balance at 31 March</b>	(91)	(3,819)

#### Accumulated Absences Account

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

2017/18 £000		2018/19 £000
128	<b>Balance at 1 April</b>	138
(128)	Reversal of accrual made at the end of the preceding year	(138)
138	Amounts accrued at the end of the current year	148
138	<b>Balance at 31 March</b>	148

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised. In 2017/18 the gains were held in the Available for Sale Reserve and have been transferred to the Financial Instruments Revaluation Reserve following the introduction of IFRS 9.

2017/18 £000		2018/19 £000
(11)	<b>Balance at 1 April</b>	(3)
-	Upward revaluation of investments	(47)
8	Downward/ Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
(3)	<b>Balance at 31 March</b>	(50)

### 24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
(122)	Interest Received	(268)
-	Interest Paid	-
(122)	<b>Net interest included within the surplus on the provision of services</b>	(268)

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

2017/18 £000		2018/19 £000
4,082	Depreciation and Amortisation of Asset	4,197
2,068	Movement in pension liability	1,933
(55)	(Contribution to) / Use of Housing Repairs Reserve	(297)
(2,532)	Contributions to reserves	(972)
(1,357)	Reversal of Collection Fund Adjustments – CT and NDR	(2,358)
10	Accumulated Absences	10
1,142	Increase / (Decrease) in Provisions	(927)
5,162	Increase / (Decrease) in Creditors	2,347
(976)	(Increase) / Decrease in Debtors	146
(3)	(Increase) / Decrease in Stocks and WIP	6
<b>7,541</b>	<b>Adjustments for non cash movements</b>	<b>4,085</b>

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

2017/18 £000		2018/19 £000
(722)	(Surplus) / Loss on sale of Assets	202
321	Payment of housing receipts to Housing Pool	321
<b>(401)</b>	<b>Adjustment for investing and financing activities</b>	<b>523</b>

## 25. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
7,255	Purchase of property, plant and equipment, investment property and intangible assets	5,548
2	Other payments for investing activities	729
(3,176)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,800)
(3,353)	Other receipts from investing activities	(2,848)
<b>728</b>	<b>Net cash flows from investing activities</b>	<b>1,629</b>

## 26. Cash Flow Statement – Financing Activities

2017/18 £000		2018/19 £000
(1,600)	Cash receipts of short and long term borrowing	(1,700)
8,512	Other receipts from financing activities	3,562
<b>6,912</b>	<b>Net cash flows from financing activities</b>	<b>1,862</b>

## 27. Expenditure and Funding Analysis

(a) The Expenditure and Funding Analysis shows how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Boards. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis brings together the authorities performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and HRA.

The Expenditure and Funding Analysis:-

- shows for each of the authority's boards a comparison of the net resources applied and the net charge against council tax, and
- provides the opportunity to explain significant differences between the two within the authority's framework for accountability.



2017/18	2017/18	2017/18		2018/19	2018/19	2018/19
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	<b>Expenditure and Funding Analysis</b>	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
657	62	719	Executive Board	777	64	841
4,455	1,529	5,984	Community and Environment Board	4,422	1,540	5,962
(434)	79	(355)	Planning and Development Board	(98)	132	34
-	11	11	Licensing Committee	(1)	10	9
1,780	496	2,276	Resources Board – Services	4	2,315	2,319
(123)	466	343	Resources Board – Recharged Services	(241)	159	(82)
(2,735)	350	(2,385)	Resources Board – Housing Revenue Account	(1,399)	316	(1,083)
<b>3,600</b>	<b>2,993</b>	<b>6,593</b>	<b>NET COST OF SERVICES</b>	<b>3,464</b>	<b>4,536</b>	<b>8,000</b>
(6,348)	4,094	(2,254)	Other Comprehensive Income and Expenditure	(6,705)	(10,882)	(17,587)
<b>(2,748)</b>	<b>7,087</b>	<b>4,339</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(3,241)</b>	<b>(6,346)</b>	<b>(9,587)</b>
(16,025)			Opening General Fund and HRA Balances	(15,936)		
2,838			Use of Reserves to fund Capital Expenditure	(441)		
(2,749)			(Surplus) / Deficit on Provision of Services	(3,241)		
<b>(15,936)</b>			<b>Closing General Fund and HRA Balances</b>	<b>(19,618)</b>		

The table below further analyses the Adjustments between the Funding and Accounting Basis.

<b>Expenditure and Funding Analysis - adjustments between the funding and accounting basis</b>				<b>2018/19</b>
	<b>Adjustment for Capital Purposes</b>	<b>Net charge for Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Executive Board	-	64	-	64
Community and Environment Board	1,079	461	-	1,540
Planning and Development Board	4	58	70	132
Licensing Committee	-	10	-	10
Resources Board – Services	(67)	292	2,090	2,315
Resources Board – Recharged Services	138	21	-	159
Resources Board – Housing Revenue Account	48	268	-	316
<b>COST OF SERVICES</b>	<b>1,202</b>	<b>1,174</b>	<b>2,160</b>	<b>4,536</b>
Other Comprehensive Income and Expenditure	(12,273)	5,514	(4,123)	(10,882)
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,071)</b>	<b>6,688</b>	<b>(1,963)</b>	<b>(6,346)</b>

<b>Expenditure and Funding Analysis – adjustments between the funding and accounting basis</b>				<b>2017/18</b>
	<b>Adjustment for Capital Purposes</b>	<b>Net charge for Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Executive Board	-	62	-	62
Community and Environment Board	1,009	520	-	1,529
Planning and Development Board	3	76	-	79
Licensing Committee	-	11	-	11
Resources Board – Services	157	351	(12)	496
Resources Board – Recharged Services	445	21	-	466
Resources Board – Housing Revenue Account	48	300	2	350
<b>COST OF SERVICES</b>	<b>1,662</b>	<b>1,341</b>	<b>(10)</b>	<b>2,993</b>
Other Comprehensive Income and Expenditure	6,508	(1,065)	(1,349)	4,094
<b>Total Comprehensive Income and Expenditure</b>	<b>8,170</b>	<b>276</b>	<b>(1,359)</b>	<b>7,087</b>

### **Adjustment for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- *Other operating expenditure* – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- *Financing and investment income and expenditure* – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- *Taxation and non-specific grant income and expenditure* - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or which conditions were satisfied in the year.

### **Net Change for the Pension Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- For *services* this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For *Financing and investment income and expenditure* – the net interest on the defined benefit liability is charged to the Consolidated Income and Expenditure Statement.

### **Other Statutory Adjustments**

Other statutory adjustments between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:

- For *Financing and investment income and expenditure* the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under *Taxation and non-specific grant income and expenditure* represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

### **Other Non-statutory Adjustments**

Other non-statutory adjustments represent amounts debited / credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For *financing and investment income and expenditure* the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For *taxation and non-specific grant income and expenditure* the other non-statutory adjustments column recognises adjustments to service segments e.g. for unringfenced government grants.
- The Council's governance arrangements are based on a committee model, which uses Service Boards / Committees. Reporting is undertaken on this basis.

**Income received on a segmental basis is analysed below:-**

	<b>2017/18</b>	<b>2018/19</b>
	<b>Income from Services</b>	<b>Income from Services</b>
<b>Board</b>	<b>£000</b>	<b>£000</b>
Executive Board	201	155
Community and Environment Board	3,243	3,362
Planning and Development Board	1,474	1,260
Licensing Committee	110	114
Resources Board – Services	16,651	15,855
Resources Board – Recharged Services	524	559
Resources Board – Housing Revenue Account	13,244	12,339
Other (*)	10,197	11,550
	<b>45,644</b>	<b>45,194</b>

(\*) This line covers other operating expenditure, financing and investment income and expenditure and taxation and non-specific grant income which are detailed in earlier notes 7, 8 and 9.

**(b) Expenditure and Income analysed by Nature**

The authority's expenditure and income is analysed as follows:-

<b>2017/18</b>	<b>Expenditure and Income</b>	<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure</b>	
11,451	Employee Expenses	11,318
7,958	Other Service Expenses	8,868
13,935	Rent Allowances and Housing Benefit Payments	12,309
3,817	Depreciation, Amortisation and Impairment	3,647
2,068	Retirement Benefits	1,933
-	Revenue Expenditure Funded from Capital Under Statute	699
3,193	HRA – Debt Repayment and interest	3,269
321	Payment to Housing Capital Receipts Pool	321
1,009	Parish Precepts	982
-	Loss on Disposal of Assets	201
<b>43,752</b>	<b>Total Expenditure</b>	<b>43,547</b>
	<b>Income</b>	
(20,916)	Fees, Charges and Other Service Income	(19,537)
(122)	Interest and Investment Income	(268)
(6,000)	Income from Council Tax and NDR	(7,907)
(17,884)	Government Grants and Contributions	(17,482)
(722)	Gain on Disposal of Assets	-
<b>(45,644)</b>	<b>Total Income</b>	<b>(45,194)</b>
<b>(1,892)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(1,647)</b>

## 28. Agency Services

Coventry County Council provided a payroll service to the Council in 2018/19, for which we paid a charge of £12,400.

## 29. Pooled Budgets

### Building Control Partnership

We were part of a pooled budget arrangement with Nuneaton and Bedworth Borough Council for the provision of building control services in 2018/19. The Building Control Partnership was hosted by Nuneaton and Bedworth Borough Council and provided services to both Councils. It reported to a Steering Group which was made up of elected Members from both Councils.

This Council contributes 34.3% of the budget, with Nuneaton and Bedworth contributing the remaining 65.7%. The same proportions are used to meet any deficit or surplus arising on the pooled budget at the end of each financial year.

		2017/18 £		2018/19 £
Funding provided to the pooled budget:				
• North Warwickshire	(32,930)		(40,050)	
• Nuneaton and Bedworth	(63,340)		(76,710)	
		(96,270)		(116,760)
Expenditure met from the pooled budget:				
• North Warwickshire	26,894		20,854	
• Nuneaton and Bedworth	51,779		39,940	
		78,673		60,794
Net (surplus)/deficit arising on the pooled budget during the year		(17,597)		(55,966)
Council share of 34.3% of the net (Surplus)/deficit arising from the pooled budget		(6,036)		(19,196)

From April 2019, both Councils joined a larger partnership of local authorities, to improve the resilience of the service.

### Heart Partnership

We are part of a shared service for the delivery of an integrated Home Environment Assessment & Response Team (HEART) service. The overall aims and objectives of the shared service is to bring together housing and occupational therapy services in an integrated team which delivers Home Improvement Agency Services and housing adaptations for disabled and older people in Warwickshire. Participants in the shared service arrangement are North Warwickshire Borough Council, Warwickshire County Council, Rugby Borough Council and Nuneaton and Bedworth Borough Council.

The partnership has operated for a number of years, but during 2016/17 the arrangement was formalised and the relevant finances of the authorities involved were brought together in a pooled budget arrangement. The Heart Partnership is hosted by Nuneaton and Bedworth Borough Council and provides services to each of the Councils involved. The partnership reports to a Steering Group which is made up of elected members and officers

from all partner authorities. The table below shows the budget and actual spend position during 2018/19.

2017/18 £		2018/19 £
189,514	Balance of funding retained by the Heart Shared Service to be carried forward to 2018/19 to spend in the North Warwickshire area	465,411
660,446	Budget – Disabled Facilities Grant	677,001
(18,750)	Spend by the Heart Shared Service on behalf of NWBC re 16/17	-
(365,799)	Spend by the Heart Shared Service on behalf of NWBC	(377,364)
465,411	Balance of funding retained by the Heart Shared Service to be carried forward to 2019/20 to spend in the North Warwickshire area	765,048

### 30. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

	2017/18 £000	2018/19 £000
Allowances	211	218
Expenses	5	3
<b>Total</b>	<b>216</b>	<b>221</b>

### 31. Officers' Remuneration

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

2018/19 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive*	92,902	5,360	18,019	116,281
Corporate Director - Environment	75,990	3,456	15,198	94,644
Corporate Director – Community	72,928	3,456	14,586	90,970
Corporate Director - Resources	67,830	3,456	13,566	84,852

\*(32 hours per week )

2017/18 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive*	88,327	5,358	17,665	111,350
Deputy Chief Executive*	74,166	4,642	14,833	93,641
Assistant Chief Executive & Solicitor to the Council	71,243	3,456	14,249	88,948
Assistant Chief Executive (Community Services)	68,406	3,456	13,681	85,543

\*(32 hours per week )

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

<b>Employee Pay Bands</b>	<b>2017/18 staff numbers</b>	<b>2018/19 staff numbers</b>
£50,000-£54,999	0	1
£60,000-£64,999	5	0
£65,000-£69,999	0	4

The number of exit packages with total costs per band and total cost of the compulsory and other redundancies are set out in the table below and note 38.

<b>Exit packages cost band</b>	<b>Number of compulsory redundancies</b>		<b>Total cost of exit packages for compulsory redundancies by cost band</b>	
	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18 £</b>	<b>2018/19 £</b>
£0 – £20,000	6	2	45,038	14,465
£20,001 - £40,000	3	1	97,156	23,959
£40,001 - £60,000	3	-	142,250	-
<b>Total</b>	<b>12</b>	<b>3</b>	<b>284,444</b>	<b>38,424</b>

The total cost of £38,424 in the table above has been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

### **32. External Audit Costs**

We pay audit fees for work undertaken on the audit of the Statement of Accounts, the certification of grant claims and returns and statutory inspections. Our appointed auditors for 2018/19 are Ernst Young LLP.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2018/19 accounts.

<b>Type of Audit Work</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Fees payable to Ernst Young LLP with regard to external audit services carried out for the year	42	33
Fees payable to Ernst Young LLP for the certification of grant claims and returns for the year	14	15
<b>Total</b>	<b>56</b>	<b>48</b>

### 33. Grant Income

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

	2017/18	2018/19
	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	461	191
Transitional Grant	21	-
Non Domestic Rates	1,793	1,846
<b>Total</b>	<b>2,275</b>	<b>2,037</b>

<b>Credited to Services</b>		
New Burdens – Other	4	5
New Burdens – Universal Credit Live Service Closure	2	-
New Burdens – Universal Credit Implementation	9	-
New Burdens – Business Rates Relief	12	-
New Burdens – Single Fraud Initiative Grant	1	1
New Burdens – Welfare Reform	7	12
New Burdens – Property Searches	-	14
New Burdens – Brownfield Register Grant	2	5
New Burdens - RTI Grant	4	1
New Burdens – Verify Earnings & Pensions Alert Service	-	22
New Burdens – Transition to Universal Credit Housing Payment	-	5
New Burdens – EU Exit Preparation	-	17
New Burdens – Management Support	-	9
New Burdens – Self Employed Review	-	3
New Burdens – Mixed Aged Couples	-	2
New Burdens – Council Tax Discount for Family	-	2
Electoral Reform Services Grant	29	20
Small Business and Empty Property Rate Relief	511	1,118
Neighbourhood Planning Grant	80	-
Cyber Security Grant	-	5
DWP - Local Authority Data Share (LADS-atlas)	10	10
DWP – Removal of Spare Room Subsidy	-	2
DWP – Right Benefit Initiative	15	-
DWP – Benefits Cap	5	-
DWP – Universal Credit Support Grant	1	13
National Community Clean Up Grant	-	11
Local Authority Parks Improvement Funding	-	10
Armed Forces Mancetter Day Out Grant	-	9
Armed Forces Covenant Veterans Hub Grant	-	12
Leader Project Grant	101	133
Stronger and Safer Communities Funding	25	31
New Burdens - Transparency Code Set Up	8	8
Benefits Grant (DHP)	90	94
Benefits Administration Grant	237	222
New Homes Bonus Scheme	959	902
Rent Allowances Subsidy	7,476	6,760
National Non Domestic Rates Administration Grant	107	109
Housing Rent Rebates	5,731	5,380
Custom Build Grant	30	30
Homelessness Reduction and Support Grant	86	143
<b>Total</b>	<b>15,542</b>	<b>15,120</b>



### **34. Related Parties**

We are required to disclose material transactions with related parties – these are 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 we operate and provides a significant proportion of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown in Note 33.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 30.

During the year, works and services to the value of £0 were commissioned from Cubic Apple (£1,825 in 2017/18) in which 1 member had an interest. Contracts were entered into in full compliance with the council's standing orders.

#### Other Public Bodies (subject to common control by central government)

We have a pooled budget arrangement with Nuneaton and Bedworth Borough Council for the provision of building control services and with other Warwickshire Authorities for the delivery of the Heart Shared Service. Transactions and balances outstanding are detailed in Note 29.

Six Borough Councillors were also Warwickshire County Councillors in 2018/19. During the year, we paid £2,683,711 (£2,497,401 in 2017/18) to Warwickshire County Council for services including: pensions, land charges, broadband, arboriculture services, trade refuse disposal, contribution to the costs of Lower House Farm recycling facility and leisure facilities. Income of £501,211 (£532,029 in 2017/18) was received from the County Council for school swimming lessons, grass cutting, food bank, community hubs, part occupation of Council Offices and recycling activities.

Six Borough Councillors were also on Atherstone Town Council in 2018/19. Income of £44,168 (£39,604 in 2017/18) was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town, Town Council elections and for some grounds maintenance work.

Two Borough Councillors were also on Coleshill Town Council in 2018/19. Income of £1,764 (£5,059 in 2017/18) was received from Coleshill Town Council, for the provision of a trade refuse service and two town council by-elections.

During the year a payment of £34,808 (£34,808 in 2017/18) was made to North Warwickshire Citizens Advice Bureau. The Borough Council was represented on the North Warwickshire Citizens Advice Bureau by 1 Borough Councillor. The transaction represents a contribution to the running expenses of the organisation. The Member recorded an interest in the Register of Members Interests, which is open to public inspection at the Council Offices during office hours.

The Council is a non-constituent member of the West Midlands Combined Authority (WCMA). The WMCA is a group of councils across the region that is working together to seek greater decision-making powers from the government in a process known as devolution. In the Scheme sent to Government only constituent members have voting rights. However, once the WMCA is established constituent members can give voting rights to non-constituent members, for example, allowing them to vote on matters to do with economic development. Constituent members may only be signed up to one combined authority, whilst non-constituent members can be signed up to one or more combined authorities. In 2018/19 North Warwickshire Borough Council paid the WMCA a £25,000 contribution to help fund its programmes and initiatives (£21,250 in 2017/18).

### 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with previous year's unfunded capital creditors. The resources that have been used to finance this expenditure are also shown.

<b>Capital Expenditure and Financing</b>		
	<b>2017/18 £000</b>	<b>2018/19 £000</b>
<i>Capital Investment</i>		
Property, Plant and Equipment	7,348	5,371
Investment properties	14	-
Intangible Assets	17	43
Revenue Expenditure Funded from Capital Under Statute	2	699
<b>Total Expenditure</b>	<b>7,381</b>	<b>6,113</b>
<i>Sources of Finance</i>		
Capital receipts	(1,867)	(3,419)
Government grants and other contributions	(1,010)	(716)
Revenue Contribution to Capital	(108)	(119)
Section 106 contributions	(176)	(155)
Earmarked Capital Reserve	(49)	(189)
Major Repairs Reserve/HRA RCCO	(3,969)	(1,277)
Capital Creditors	(202)	(238)
Prudential Borrowing	-	-
<b>Total Financing</b>	<b>(7,381)</b>	<b>(6,113)</b>

Where capital expenditure is to be financed in future years by charges to revenue as assets are 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. The CFR is shown below.

	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Long Term Assets	155,640	173,249
Revaluation Reserve	(8,425)	(13,481)
Capital Adjustment Account	(81,700)	(96,317)
<b>Capital Financing Requirement</b>	<b>65,515</b>	<b>63,451</b>

## 36. Leases

### Council as Lessee

#### *Finance Leases*

The Council has no finance leases where the council is the lessee.

#### *Operating Leases*

We have a Land and Building lease. This relates to some industrial units known as Units 18-39 Innage Park, Atherstone, which we sub-let.

The future minimum sublease payments expected to be received by the Council are shown in the table below, along with the expenditure in relation to these leases during the year. Both the income and expenditure are included within the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

<b>31 March 2018</b> <b>£000</b>		<b>31 March 2019</b> <b>£000</b>
121	Minimum lease payments	121
(196)	Contingent rents	(203)
<b>(75)</b>	<b>Total</b>	<b>(82)</b>

### Council as Lessor

#### *Finance Leases*

The Council hasn't leased out any assets under finance leases.

#### *Operating Leases*

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

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

<b>31 March 2018</b> <b>£000</b>		<b>31 March 2019</b> <b>£000</b>
332	Not later than one year	393
53	Later than one year and not later than five years	53
4,457	Later than five years	4,377
<b>4,842</b>	<b>Total</b>	<b>4,823</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into such as adjustments following rent reviews. In 2018/19; £65,085.72 contingent rents were receivable by the Council (£104,831 in 2017/18).

## 37. Impairment Losses

We are required to disclose by class of assets the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 10 and 13 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

There were no material impairment losses recognised during 2018/19 (none 2017/18).

### **38. Termination Benefits**

The Council terminated the contracts of 3 employees in 2018/19, incurring liabilities of £38,424 (£284,444 in 2017/18) – see Note 31 for the number of exit packages and total cost per band. Payments were made to 2 Community Centre Cleaners, and a Gym Coach at the Leisure Centres who were made redundant as part of the Council's rationalisation of these services.

### **39. Defined Benefit Pension Schemes**

#### Participation in Pension Schemes

As part of the terms and conditions of employment of our officers we make contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, we have a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

We participate in the Local Government Pension scheme administered locally by Warwickshire County Council. This is a funded defined benefit salary scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme was a final salary scheme until 31 March 2014 and then changed to a career average scheme from 1 April 2014.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

In addition there are arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there will be no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. These costs are included in the following figures.

#### 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 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:

	2017/18 £000	2018/19 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services</i>		
• Current service cost	(3,088)	(2,968)
• Past Service Cost and Curtailments	(16)	(7)
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	(2,543)	(2,685)
• Expected return on scheme assets	1,816	1,926
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(3,831)	(3,734)
<i>Re measurement of the net defined benefit liability comprising</i>		
• Return on plan assets	39	3,199
• Actuarial (losses)/gains arising on changes in demographic assumptions	-	-
• Actuarial (losses)/gains arising on changes in financial assumptions	1,721	(7,917)
• Other	32	(37)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	1,792	(4,755)
<i>Movement in Reserves Statement</i>		
• Reversal of net charges made to the Surplus or Deficit of Services for post employment benefits in accordance with the Code	3,831	3,734
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employers contributions payable to scheme	1,763	1,801
Retirement benefits payable to pensioners	(2,643)	(2,659)

The cumulative amount of actuarial gains and losses recognised in other Comprehensive Income and Expenditure in the actuarial gains and losses on pension assets and liabilities line was a loss of £4,755,000 at 31 March 2019 and a gain of £1,792,000 at 31 March 2018.

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

	Funded Liabilities	
	2017/18 £000	2018/19 £000
<b>Opening balance at 1 April – Funded liabilities</b>	<b>95,380</b>	<b>97,235</b>
<b>Opening balance at 1 April – Unfunded liabilities</b>	<b>2,006</b>	<b>1,889</b>
Current service cost	3,088	2,968
Past Service Cost	16	7
Interest Cost	2,543	2,685
Contributions by scheme participants	487	479
Actuarial losses arising from changes in demographic assumptions	-	-
Actuarial losses arising from changes in financial assumptions	(1,721)	7,917
Other	(32)	37
Benefits paid - funded	(2,515)	(2,531)
Benefits paid - unfunded	(128)	(128)
<b>Closing balance at 31 March – Funded liabilities</b>	<b>97,235</b>	<b>108,683</b>
<b>Closing balance at 31 March – Unfunded liabilities</b>	<b>1,889</b>	<b>1,875</b>

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

	Funded Assets	
	2017/18 £000	2018/19 £000
<b>Opening fair value of scheme assets at 1 April</b>	<b>70,094</b>	<b>71,556</b>
Expected rate of return - Interest	1,816	1,926
Actuarial gains – Return on plan assets	39	3,199
Contributions by scheme participants	487	479
Employer contributions	1,635	1,673
Contributions in respect of unfunded benefits	128	128
Benefits/transfers paid	(2,515)	(2,531)
Unfunded Benefits/transfers paid	(128)	(128)
<b>Closing fair value of scheme assets at 31 March</b>	<b>71,556</b>	<b>76,302</b>

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 real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £5.125 million (£1.855 million in 2017/18).

Scheme History - Pensions Assets and Liabilities recognised in the Balance Sheet

	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Present value of the defined benefit obligation	(92,609)	(86,053)	(97,386)	(99,124)	(110,558)
Fair value of Plan assets	60,238	60,727	70,094	71,556	76,302
<b>Net liability arising from defined benefit obligation</b>	<b>(32,371)</b>	<b>(25,326)</b>	<b>(27,292)</b>	<b>(27,568)</b>	<b>(34,256)</b>

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £34.256 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This deficit would impact upon our reserves only if it all fell due at the same time. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy – 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.

In 2019/20 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,721,000.

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 and so on. The liabilities of the Warwickshire County Council Fund have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest valuation of the scheme as at 31 March 2019. These figures do not include any limits imposed by IFRIC interpretation IAS 19.

The main assumptions used by the actuary for estimating assets and liabilities are:

	2017/18	2017/18	2018/19	2018/19
	Beginning of year	End of Year	Beginning of year	End of Year
<b>Allowance for Admin Expenses</b>				
Expenses Deducted (p.a.)	0.6%	0.6%	0.6%	0.6%
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
Men	22.5	22.5	22.5	22.5
Women	24.7	24.7	24.7	24.7
<b>Longevity at 65 for future pensioners:</b>				
Men	24.3	24.3	24.3	24.3
Women	26.7	26.7	26.7	26.7
Rate of Inflation (CPI)	2.4%	2.4%	2.4%	2.5%
Rate of Increase in salaries	3.0%	3.0%	3.0%	3.1%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.5%
Rate of discounting scheme liabilities	2.7%	2.7%	2.7%	2.4%

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

	2017/18	2017/18	2018/19	2018/19
	Beginning of year	End of Year	Beginning of year	End of Year
Take up option to convert annual pension into retirement lump sum – pre April 2008	50%	50%	50%	50%
Take up option to convert annual pension into retirement lump sum – post April 2008	75%	75%	75%	75%

The table below details the pension scheme's assets consisting of the following categories, by value and proportion of the total assets held.

	2017/18	2017/18	2018/19	2018/19
	£ 000	%	£ 000	%
<b>Equity Securities:-</b>				
• Consumer	8,029.5	11.2%	3,672.1	4.8%
• Manufacturing	2,848.5	4.0%	1,515.8	2.0%
• Energy and Utilities	1,187.5	1.7%	91.4	0.1%
• Financial Institutions	3,841.3	5.4%	1,669.2	2.2%
• Health and Care	2,141.5	3.0%	1,810.4	2.4%
• Information Technology	1,988.5	2.8%	1,882.0	2.5%
• Other	3,009.7	4.2%	2,375.2	3.1%
<b>Debt Securities:-</b>				
• Other	-	0.0%	2,173.2	2.8%
<b>Private Equity:-</b>				
• All	2,606.2	3.6%	3,883.8	5.1%
<b>Real Estate:-</b>				
• UK Property	7,294.3	10.2%	8,328.8	10.9%
• Overseas Property	18.8	0.0%	12.8	0.0%
<b>Investment Funds and Unit Trusts:-</b>				
• Equities	18,391.2	25.7%	28,746.5	37.7%
• Bonds	10,975.7	15.3%	12,562.0	16.5%
• Hedge Funds	3,008.8	4.2%	-	0.0%
• Infrastructure	1,038.7	1.5%	1,761.7	2.3%
• Other	4,257.1	5.9%	4,738.6	6.2%
<b>Cash and Cash Equivalents:-</b>				
• All	918.7	1.3%	1,078.5	1.4%
<b>Total</b>	<b>71,556.0</b>	<b>100.0%</b>	<b>76,302.0</b>	<b>100.0%</b>

#### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the schemes actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

#### **40. 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 the Financial Services team, under policies approved by the Council in the annual treasury management strategy. The Council provides written



principles for the 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 minimum credit criteria in accordance with the Fitch, Moody's and Standard and Poor's Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to investments in banks and building societies of £3 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the historical principal will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

The Council's exposure to credit risk on other financial assets relates to trade/sundry debtors. We do not allow credit for trade/sundry debtors so £217,325 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31 March 2018</b> <b>£000</b>	<b>31 March 2019</b> <b>£000</b>
Less than three months	134	126
Between three and six months	9	13
Between six months and one year	7	7
More than one year	74	71
<b>TOTAL</b>	<b>224</b>	<b>217</b>

The Council initiates a legal charge on property where clients cannot pay their debts and recovery action has been unsuccessful. The total collateral at 31 March 2019 was £2,305.

➤ **Liquidity Risk**

The Council uses cash flow analysis and risk management procedures to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the authority will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>
Less than one year	1,700	1,750
Between one years and two years	1,750	2,000
Between two and five years	6,510	6,860
Between five and ten years	12,850	13,400
Between ten and fifteen years	19,129	16,229
Between fifteen and twenty years	-	-
More than twenty years	10,000	10,000
<b>Total</b>	<b>51,939</b>	<b>50,239</b>

All trade and other creditors are due to be paid in less than one year.

Liquid resources held by the Council are short-term investments. These continue to be managed internally, with a limit on the amount that can be invested with any one institution in accordance with the authorised lending list. All investments at 31 March 2019 were held with banks and building societies. At 31 March 2019 the Council had short-term investments of £26.599 million.

	<b>31 March 2018 £000</b>	<b>31 March 2019 £000</b>	<b>Change in year £000</b>
Short Term Investments	23,037	26,599	3,562
<b>Total</b>	<b>23,037</b>	<b>26,599</b>	<b>3,562</b>

#### ➤ *Market Risk*

**Interest Rate Risk** - The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance. Movements in the

fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to assess the likelihood of movements in interest rates, when taking decisions on variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

We borrowed from the Public Works Loans Board to make the Housing Self Financing Settlement payment. We currently have no other long term external borrowing, as we have chosen to make use of the reserves we hold, and finance borrowing internally. We continue to monitor market rates at the moment, ready for when the Council needs to borrow in the future.

## North Warwickshire Borough Council

### Housing Revenue Account Income and 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 grants. Councils charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Actual 2017/18 £000	Actual 2017/18 £000		Actual 2018/19 £000	Actual 2018/19 £000	Note
		<b>EXPENDITURE</b>			
3,230		Repairs and Maintenance	3,004		5
1,372		Supervision and Management			
489		- General	1,457		
2,379		- Special Services	478		
		Depreciation, Impairment and revaluation	2,826		9 / 10
3,193		losses of non-current assets			
41		Debt Management Costs	3,269		14
		Movement in the allowance for bad debts	26		13
	10,704	<b>TOTAL EXPENDITURE</b>		11,060	
		<b>INCOME</b>			
(11,658)		Dwelling rent	(11,617)		12
(358)		Non-dwelling rent	(385)		
(96)		Charges for Services and Facilities	(107)		
(996)		Grant for New Build	-		
	(13,108)	<b>TOTAL INCOME</b>		(12,109)	
	(2,404)	<b>Net Expenditure/ (Income) of HRA Service as included in the Comprehensive Income and Expenditure Statement</b>		(1,049)	
	84	HRA service share of Corporate and Democratic Core		77	
	(2,320)	<b>Net Income/cost for HRA Services</b>		(972)	
		<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
	(679)	Gain on sale of HRA non-current assets		(277)	
	(708)	Interest payable and similar charges		104	10/15
	(58)	Interest and Investment Income		(105)	15
	8,015	Deficit or (Surplus) on Revaluation of Property, Plant and Equipment		(12,648)	10
	4,250	<b>(Surplus) or Deficit for the year on HRA Services</b>		(13,898)	

## North Warwickshire Borough Council

### Movement on the Housing Revenue Account Statement

This shows how the surplus/deficit on the HRA Income and Expenditure statement reconciles to the movement on the Housing Revenue Account Balance for the year.

2017/18 £000		2018/19 £000
(3,321)	<b>Balance on the HRA at the end of the previous year</b>	(4,459)
4,250	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement	(13,898)
(6,930)	Adjustments between accounting basis and funding basis under statute	12,553
(2,680)	<b>Net (Increase) or decrease before transfers to or from reserves</b>	(1,345)
1,542	Transfers to or (from) reserves	1,113
(1,138)	<b>(Increase) or decrease in year on the HRA</b>	(232)
(4,459)	<b>Balance on the HRA at the end of the current year</b>	(4,691)

#### Adjustments between accounting basis and funding basis under statute:

2017/18 £000		2018/19 £000	Note
	<b>Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year</b>		
(8,015)	Reversal of Impairment losses and revaluations	12,648	10
679	Gain on sale of HRA Property, Plant and Equipment	277	
(300)	Net charges made for retirement benefits in accordance with IAS 26	(268)	11
(2)	(Increase)/Reduction in accrual for employee benefits	-	
(7,638)	<b>Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year</b>	<b>12,657</b>	
708	Transfer to Capital Adjustment Account	(104)	15
(6,930)	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>12,553</b>	

#### Transfers to or from reserves

2017/18 £000		2018/19 £000	Note
55	Transfer to/(from) the Housing Repairs Reserve	297	5

## North Warwickshire Borough Council

### Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2019

#### 1. Legal Obligation

We are obliged by law to avoid a deficit on this Account and achieve this by keeping a working balance on the Account. This Account reflects the statutory obligation to account separately for the housing provision, in particular Schedule 4 of the Local Government and Housing Act 1989.

#### 2. Housing Stock

We were responsible for managing an average of 2,670 dwellings during 2018/19, consisting of the following:

2017/18		2018/19
1,411	Houses	1,390
654	Flats	651
617	Bungalows	617
<b>2,682</b>	<b>Total at 31 March</b>	<b>2,658</b>
	The change in stock was as follows:	
2,661	Stock at 1st April	2,682
(31)	less Sales	(24)
-	Demolitions	-
52	New Build	-
<b>2,682</b>	<b>Stock at 31 March</b>	<b>2,658</b>

#### 3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £150.355 million as at 31 March 2019. The value of each type of asset and the split between operational and non-operational assets are set out below.

Balance as at 31 March 2018 £000	Asset Type	Balance as at 31 March 2019 £000
38,250	Land	42,814
89,762	Council Dwellings	102,621
202	Plant and Vehicles	155
4,622	Other Property	4,765
<b>132,836</b>	<b>Total</b>	<b>150,355</b>
89,762	Operational Assets – Dwellings	102,621
37,196	- Land	42,044
4,622	- Other Buildings	4,765
202	- Plant and Vehicles	155
1,054	Non-operational Assets	770
<b>132,836</b>	<b>Total</b>	<b>150,355</b>

The value of land within our housing stock is estimated to be approximately 30% of the total net book value held within the Council's Asset Register. This amount has been identified separately from the value of the buildings to better reflect the value of each category of asset.

The vacant possession value of our housing stock, including the land element, is £361.741 million. This is different to the gross book value of the assets included within the balance sheet of £144.696 million which is based upon the continuing use of housing for social use. The difference between the two amounts is the economic cost of providing council housing at less than open market value.

#### 4. Major Repairs Reserve

Whilst in the National Housing Pool, we received a Major Repairs Allowance from the Government to be used for capital spending on HRA assets. This allowance was held within the Major Repairs Reserve. From April 2013 a contribution has been made from the HRA into the Major Repairs Reserve and the movement in the year is detailed below.

2017/18 £000		2018/19 £000
(1,536)	Balance as at 1 April	(1,536)
(2,331)	Transfer into Reserve – Depreciation	(2,778)
2,331	Transfer into Reserve – Appropriation	2,778
-	To finance Capital Expenditure – Houses	-
<b>(1,536)</b>	<b>Balance as at 31 March</b>	<b>(1,536)</b>

#### 5. Housing Repairs Reserve

The Housing Repairs Reserve exists to provide for repairs and maintenance to council dwellings. The movement on the fund in the year is £296,971 and is detailed below:

2017/18 £000		2018/19 £000
488	Balance as at 1 April	543
3,115	Contributions from HRA	3,153
(3,060)	Use of Fund	(2,856)
<b>543</b>	<b>Balance as at 31 March</b>	<b>840</b>

The contribution from the Housing Revenue Account is different to the repairs and maintenance figure in the HRA Income and Expenditure Statement due to the reversal of a pensions adjustment and the use of the repairs reserve balance.

#### 6. Earmarked Capital Reserve

The Earmarked Capital Reserve exists to be used for capital spending on HRA assets. The movement in the year is detailed below:

2017/18 £000		2018/19 £000
(1,742)	Balance as at 1 April	(1,890)
(1,624)	Contributions from HRA	(3,001)
(4)	Other Receipts	(6)
1,480	Use of Reserve	1,244
<b>(1,890)</b>	<b>Balance as at 31 March</b>	<b>(3,653)</b>

## 7. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2018/19, spent £4,641,334 (£7,155,285 in 2017/18). This expenditure was used to fund work on council houses, garages and community centres of £4,415,944 (£2,841,842 in 2017/18) and new housing of £225,390 (£4,313,443 in 2017/18). Capital spending during the year has been paid for from a number of sources and these are shown on the next page:

2017/18 £000	Source of Funding	2018/19 £000
(2,331)	Major Repairs Reserve	(2,778)
(1,144)	Capital Receipts	(358)
(680)	Capital Receipts – New Build	(32)
(1,638)	Earmarked Reserves	(1,277)
(176)	Section 106 Funding	(155)
(996)	Grants and Contributions	(6)
(190)	Capital Creditors	(35)
<b>(7,155)</b>	<b>Total</b>	<b>(4,641)</b>

## 8. Disposal of Assets

We dispose of HRA property through the Right to Buy scheme. We also dispose of other assets as opportunity sales. During 2018/19 capital income of £1,619,700 was received from the sale of 24 council houses and £180,000 from the sale of surplus land (£2,298,310 for 31 houses in 2017/18).

## 9. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2018/19 the amount of depreciation charged is as follows.

2017/18 Operational assets £000		2018/19 Operational assets £000
2,249	Council Dwellings	2,694
82	Other Property	85
36	Vehicles	35
12	Plant & Equipment	12
<b>2,379</b>	<b>Total</b>	<b>2,826</b>

## 10. Revaluations / Impairment charges

There were no impairment charges during the year. Some land and properties held as investment assets reduced in value by £104,070 (see note 12), however there were revaluation gains of £12.648 million on the Council's housing stock. In overall terms revaluation gains of £12.544 million were credited to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account.

## 11. Pensions

The 2004 Code of Practice requires that retirement benefits within the HRA be accounted for in a similar way to that shown within the Consolidated Income and Expenditure Statement. Due to a lack of consensus, the latest guidance (provided in 2003/04) gave several alternative accounting treatments and left it to each Council to decide how to account for IAS 26 within the HRA.



It is our view, pending the receipt of any new guidance, that as the entries on the HRA are defined by statute, there should be no effect on the overall financial position of the HRA. However, as IAS 26 requires that all services show the Current Service Cost of the benefits earned by its employees in the year, the Housing Revenue Account has been charged with an amount of £267,752 to reflect the additional costs of those benefits. This has then been reversed out elsewhere within the account.

## 12. Gross Rent Income

This is the total rent income due for the year after allowances are made for voids etc. During the year 0.80% of lettable properties were vacant (1.37% in 2017/18). Average rents were £91.44 a week in 2018/19 (excluding service charges) on a 48 week basis, a decrease of £0.81 or 0.88% over the previous year.

## 13. Rent Arrears

At 31 March 2019 the total rent in arrears was £197,077, which represents 1.70% of collectable rent income (1.87% in 2017/18). The rent arrears figures are detailed below: -

2017/18 £000		2018/19 £000
	Arrears at 31st March: -	
133	Present Tenants	105
86	Former Tenants	92
<b>219</b>	<b>TOTAL ARREARS</b>	<b>197</b>

The allowance for bad debts at 31 March 2019 was £143,518 (£144,917 at 31 March 2018). Debts totalling £31,118 were written off during the year (£25,463 written off in 2017/18) and an additional provision was made of £29,718 (£45,705 in 2017/18). In addition the Council has decreased the provision for the non collection of leaseholder service charges relating to maintenance works undertaken on leasehold properties by £3,570 (£4,958 increase in 2017/18). The movement on the bad debt provision in 2018/19 is £26,148 (£40,749 in 2017/18)

## 14. Charges for Borrowing

The Housing Revenue Account repaid £1,700,000 of the long term borrowing it took out as part of the move to the Housing Self Financing system and £1,568,823 in interest payments on the borrowing still outstanding. Any short term borrowing needed to manage HRA cash flows during the year would be managed on a council basis, with a charge being made to the HRA for its share of the borrowing. The HRA did not require any short term borrowing in 2018/19.

## 15. Investment Income

We receive income from investments we hold during the year. The HRA contributes funds to these investments and receives a share of the income based upon the level of reserves held that relate to the HRA. For 2018/19 this amounted to £104,649 (£57,790 in 2017/18).

The HRA holds land at various locations in the Borough as investment assets. Revaluation of 2 parcels of land during the year showed a reduction in the asset valuations of £129,150 (£695,750 increase in 2017/18 (6 parcels of land). In addition we hold 10 shared ownership properties in Thorncliffe Way, Cornish Close & Digby Road as investment properties. During the year there was an increase in their valuations of £25,080 (£11,970 increase in 2017/18). The revaluations are included in the Interest and Investment income. This will not be realised unless the properties are sold, so it is reversed out in the adjustments between accounting basis and funding basis under statue in order to arrive at the Housing Revenue Account balance at the end of the year.

## North Warwickshire Borough Council

### The Collection Fund - Income and Expenditure Statement for the Year Ended 31 March 2019

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NDR).

2017/18 Council Tax £000	2017/18 NDR £000	2017/18 Total £000		2018/19 Council Tax £000	2018/19 NDR £000	2018/19 Total £000
36,349	-	36,349	<b>INCOME</b>			
			Income from Council Tax (net of benefits and transitional relief)	38,113	-	38,113
-	47,042	47,042	Income Collectable from Business Ratepayers	-	52,348	52,348
	732	732	Cont's to previous years NDR deficits:			
	586	586	- Government	-	-	-
	146	146	- North Warwickshire BC	-	-	-
			- Warwickshire County Council	-	-	-
<b>36,349</b>	<b>48,506</b>	<b>84,855</b>		<b>38,113</b>	<b>52,348</b>	<b>90,461</b>
			<b>EXPENDITURE</b>			
26,377	-	26,377	Precepts and Demands-Council Tax :			
3,899	-	3,899	- Warwickshire County Council	28,032	-	28,032
5,160	-	5,160	- Warwickshire Police Authority	4,193	-	4,193
			- North Warwickshire BC	5,243	-	5,243
<b>35,436</b>	<b>-</b>	<b>35,436</b>		<b>37,468</b>	<b>-</b>	<b>37,468</b>
584	-	584	Distribution of Surpluses-Council Tax :			
90	-	90	- Warwickshire County Council	687	-	687
118	-	118	- Warwickshire Police Authority	102	-	102
			- North Warwickshire BC	134	-	134
<b>792</b>	<b>-</b>	<b>792</b>		<b>923</b>	<b>-</b>	<b>923</b>
-	20,818	20,818	Business Rate Payments:			
-	16,654	16,654	- Government	-	24,237	24,237
-	4,164	4,164	- North Warwickshire BC	-	19,389	19,389
-	170	170	- Warwickshire County Council	-	4,847	4,847
-	107	107	Transition Protection payment to Government	-	9	9
			Cost of collection	-	108	108
-	41,913	41,913		-	48,590	48,590
117	58	175	Bad and doubtful debts/appeals :			
(1)	(26)	(27)	- Arrears Written Off	2	30	32
-	2,856	2,856	-Provision for uncollectable amounts	18	34	52
-	123	123	- Provision for Appeals	-	(2,318)	(2,318)
5	3,582	3,587	- Less Spread of Appeals provision	-	-	-
<b>36,349</b>	<b>48,506</b>	<b>84,855</b>	Increase/(Decrease) in Fund Balance	<b>(298)</b>	<b>6,012</b>	<b>5,714</b>
				<b>38,113</b>	<b>52,348</b>	<b>90,461</b>
<b>MOVEMENTS ON THE COLLECTION FUND</b>						
946	(46)	900	Balance at 1 April	951	3,536	4,487
5	3,582	3,587	<b>Surplus/(Deficit) for the Year</b>	<b>(298)</b>	<b>6,012</b>	<b>5,714</b>
<b>951</b>	<b>3,536</b>	<b>4,487</b>	<b>Balance at 31 March 2019</b>	<b>653</b>	<b>9,548</b>	<b>10,201</b>

**Precepts and Demands on the Collection Fund  
(Council Tax)**

<b>Precept /Demand</b>	<b>Share of 31 March 2018 Surplus</b>	<b>2017/18 Total</b>	<b>Authority</b>	<b>Precept /Demand</b>	<b>Share of 31 March 2019 Surplus</b>	<b>2018/19 Total</b>
£000	£000	£000		£000	£000	£000
26,377	708	27,085	Warwickshire County Council	28,032	489	28,521
3,899	105	4,004	Warwickshire Police Authority	4,193	73	4,266
5,160	138	5,298	North Warwickshire Borough Council	5,243	91	5,334
<b>35,436</b>	<b>951</b>	<b>36,387</b>	<b>Total</b>	<b>37,468</b>	<b>653</b>	<b>38,121</b>

**NDR (Business Rates) on the Collection Fund**

<b>Business Rates 2017/18</b>	<b>Share of 31 March 2018 Deficit</b>	<b>2017/18 Total</b>	<b>Authority</b>	<b>Business Rates 2018/19</b>	<b>Share of 31 March 2019 Deficit</b>	<b>2018/19 Total</b>
£000	£000	£000		£000	£000	£000
16,654	1,414	18,068	North Warwickshire Borough Council	19,389	3,819	23,208
4,164	354	4,518	Warwickshire County Council	4,847	955	5,802
20,818	1,768	22,586	Government	24,237	4,774	29,011
<b>41,636</b>	<b>3,536</b>	<b>45,172</b>	<b>Total</b>	<b>48,473</b>	<b>9,548</b>	<b>58,021</b>

## Notes to the Collection Fund for the year ended 31 March 2019

### 1. Council Tax

Council Tax is calculated by estimating the amount of income required from the Collection Fund by the Borough Council, Warwickshire County Council and Warwickshire Police Authority for the forthcoming year and dividing this by the council tax base.

The council 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. For 2018/19 the base was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent Dwellings
A	4,440.31	6/9	2,958.68
B	5,632.52	7/9	4,380.85
C	5,250.77	8/9	4,667.35
D	3,453.60	9/9	3,453.60
E	2,153.46	11/9	2,632.01
F	1,148.98	13/9	1,659.64
G	653.08	15/9	1,088.47
H	67.36	18/9	134.72
			20,975.32
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			98.00%
<b>COUNCIL TAX BASE 2018/19</b>			<b>20,555.86</b>

On the basis of an average £1,822.75 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £37.468 million (£1,822.75 x 20,555.86). The actual income received, was higher than the estimated due to changes in individual circumstances.

### 2. Income from Business Rates

We collect business rates for the North Warwickshire area, which are based on local rateable values multiplied by a national non-domestic rate specified by the Government. From April 2013 we divide the rates collected between the government (50%), this council (40%) and Warwickshire County Council (10%). As our assessed need is lower than our share of the business rates, we pay the difference to the government as a tariff. If additional rates are collected in year they are allocated in the proportions shown above. This Council then pays a levy on our share of the additional rates. If we collect less, we stand the shortfall, up to a specified amount.

The rates to be collected can change during the year as the circumstances of individual businesses alter. Unless significant, all changes which occurred after 12th December 2018 are accounted for in the following year to allow implementation of a new system, the system to be rolled forward and future bills prepared. We were notified of increases of £1,024,651 after the 12th December 2018, due to changes to the valuations of properties, which will be included within the 2019/20 accounts.

The total non-domestic rateable value at the year-end was £117,378,152 (£101,538,771 in 2017/18). The national non-domestic rate for small businesses was 48.0 pence (46.6 pence in 2017/18) and the rate for other businesses was 49.3 pence (47.9 pence in 2017/18).

## **Statement of Accounting Policies**

### **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations England 2015, which require those statements to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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.

### **2. Accruals of Income and Expenditure**

We record all revenue and capital transactions over £250 on an accruals basis. This means that the activity is accounted for in the year that it takes place, not when cash payments are actually made or income is actually received. Where there is no cash transaction a debtor or creditor for the relevant amount is included in the balance sheet. These are shown within the current assets and current liabilities sections of the Balance Sheet respectively. 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.

Amounts less than £250 are included in the accounts when cash payment is made or income is received. In addition, electricity and other similar quarterly payments are charged at the date of meter reading rather than apportioned between financial years. This policy is consistently applied each year so it does not have a material effect upon the year's accounts.

Business Rate and Council Tax Prepayments, together with grants received in advance for schemes where we are acting as the Accountable Body are shown within creditors.

Supplies are included as expenditure when they are used. Where they have been received but not used, they are carried as inventories on the balance sheet. Similarly works are charged as expenditure when they are completed. Any work that is incomplete at the year end is also included on the balance sheet as inventories.

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.

### **3. Cash and Cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

We charge services for all the assets they use to provide their services. The charges cover:

- 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 losses can be written off
- Amortisation of intangible assets used by services.

We are not required to raise council tax to cover depreciation, revaluation and impairment losses and amortisation. However, we are required to make an annual provision from revenue towards reducing our borrowing requirement equal to an amount calculated on a prudent basis in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two, so that Council Tax is unaffected.

### **5. 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 for current employees and are recognised as an expense for services in the year in which the 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 year in which the employee takes the benefit. The accrual is charged to 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service, service segment or where applicable to a corporate service segment, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or 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 the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

#### Post Employment Benefits

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

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

- The liabilities of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees.
- Scheme liabilities are discounted to their value at current prices using a discount rate of 3.5% which is based on market yields at the balance sheet date on high quality corporate bonds.

The assets of the Warwickshire 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
  - Unlisted securities – current bid price
  - Property – market value.
- The change in the net pension liability is analysed into the following components:
    - Service cost comprising:
      - current service cost – the increase in liabilities as a result of a years service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
      - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is 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 change in the present value of liabilities during the year as they move one year closer to being paid, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Re-measurements comprising:

- 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, which is credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, which are debited to the Actuarial gains and losses on pension assets and liabilities line in the Comprehensive Income and Expenditure Statement.
- contributions paid to the Warwickshire Pension Fund – cash paid as employer's contributions to the pension fund in settlements of liabilities; not accounted for as an expense.

The surplus/deficit of the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.

For 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 transfers 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 pensions fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Since 2007, the Council has had a policy of not awarding any discretionary benefits to employees taking early retirement.

## **6. Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting year 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 year – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting year – the Statement of Accounts are 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.

## **7. Exceptional items**

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



## **8. Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior year 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 year 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 effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior year as if the new policy had always been applied.

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

## **9. 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 are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

### **Financial Assets**

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

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

### Financial Assets Measured at Amortised Cost

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

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (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 CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, 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 amounts debited and credited to the CIES 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.

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

### Expected Credit Loss Model

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

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

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

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

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

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

## **10. Government Grants and Other 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 contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of 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.

Money advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance sheet as creditors (in Capital Grants / Contributions Received in Advance). 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-ring fenced 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 in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is held in 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.

## **11. Intangible Assets**

Expenditure 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.

Intangible assets are included on the balance sheet initially at cost. Amounts are only revalued where the 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.

We gradually reduce the value of intangible assets, such as software licences over their useful life (up to 10 years). However, rather than being called depreciation, we refer to this as amortisation. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses are posted to the relevant service line(s) 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.

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.

## **12. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value and are simply valued at cost based on a first in, first out basis. Work in progress on incomplete jobs is valued at cost, including an allocation of overheads.

## **13. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation 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.

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

## **14. 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 and equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

### The Council as a 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. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years 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 assets 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 accordance with statutory requirements. Depreciation, 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 service benefitting from use of the leased property, plant and 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. if there is a rent free period at the commencement of the lease).

## The Council as a Lessor

### *Operating Leases*

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). 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.

### **15. Overheads and Support Services**

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

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

### **16. 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

Expenditure 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 reliably measured. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. We only include individual pieces of land and buildings that exceed £10,000, and plant and equipment that exceed £5,000 in our asset register.

#### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any cost 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (if this is appropriate).

The cost of assets acquired other than by purchase is deemed to be at fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the

cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- **Infrastructure assets, community assets and assets under construction** - depreciated historical cost. Where this is not known for community assets, a nominal value of £1 has been included.
- **Council dwellings** – current value, determined using the basis of existing use value for social housing (EUV – SH). The 'Beacon' method has been used whereby "typical" properties are valued and the remaining similar houses in the area are assessed based on this beacon.
- **Surplus assets** – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- **All other assets** – current value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV).

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

Where there are non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

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

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

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.

## Impairment

Assets are assessed at each year end to see if 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 subsequently reversed, the reversal is credited up to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation over the useful life of the asset, as advised by a suitably qualified officer

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. This has only been applied to enhancement and acquisition expenditure incurred from 1 April 2010 and to revaluations carried out from that date, in line with the requirements of the Code of Practice.

Revaluation gains on assets are also depreciated with an amount equal to the difference between the current value depreciation and the historical value depreciation transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## 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 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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 or 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.

Income above £10,000 received from the sale of assets is treated as a capital receipt. In general terms we have to pay 75% of Council House sales and 50% of other housing receipts over to the Government. We have entered an agreement with the Government, which will allow us to use some of the receipts received from additional council house sales as a result of the relaxation of Right to Buy regulations, to fund new build properties. With some disposals we are allowed to retain all of the income if we plan to spend it on regeneration or affordable housing. The balance of the receipt remains within the Usable Capital Receipts Reserve and can then only be used for new capital spending or can be set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the General Fund Balance in the Movement in Reserves Statement. We do not need to pay over any income from the sale of General Fund assets and this can be fully used for capital spending.

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

## **17. 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 required. 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 than 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 for 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.

### **18. Reserves**

We set aside specific amounts as earmarked reserves, for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back to the General Fund Balance in the Movement in Reserves Statement on page 12 and note 6 to the financial statements 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, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the Movement in Reserves Statement on page 12 and note 23 to the financial statements.

## **19. Revenue Expenditure Funded from Capital under Statute**

Statutory provisions allow us to spend capital funds on assets that are not owned by this Council, such as grants for private sector housing. The expenditure is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year it is incurred. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged, so there is no impact on the level of council tax.

## **20. Value added tax (VAT)**

Generally all VAT collected is excluded from income, as it is payable to Her Majesty's Revenues and Customs. All VAT paid is recoverable from them, so VAT is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure.

## **21. Heritage Assets**

The Council's Heritage Assets relate to the office of the Mayor. Civic regalia are reported in the balance sheet based on the insurance valuation of the items and also the market price of gold. These insurance valuations are updated annually. Any impairment recognised would be measured using the cost incurred in repairing the asset(s).

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

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

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

The balance sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired, due to a likelihood that payments will not be made, the asset is written down and a charge made to the Financing and Investment line in the Consolidated Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH WARWICKSHIRE  
BOROUGH COUNCIL**

## **Glossary of Terms**

<b>ACCRUALS</b>	Income and expenditure that is recognised as it is earned or incurred rather than as the money is actually received or paid.
<b>ACTUARIAL GAIN / LOSS</b>	For assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains and losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.
<b>AMORTISATION</b>	The drop in value of intangible assets as they become out of date.
<b>ASSET</b>	An item, which is intended to be used for several years such as a building or a vehicle.
<b>BUDGET</b>	A statement of a Council's plans for expenditure over a specified period of time.
<b>BUSINESS RATES (Non-domestic rates – NDR)</b>	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 in that area. The rates are then distributed to Central Government, Warwickshire County Council and this Authority.
<b>CAPITAL CHARGES</b>	A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.
<b>CAPITAL EXPENDITURE</b>	Expenditure on property, plant and equipment (operational, non-operational, community and infrastructure), which give a benefit over a longer period than a financial year. It includes expenditure on land, buildings, vehicles, etc.
<b>CAPITAL RECEIPTS</b>	Income from the sale of Council assets, e.g. land and buildings.
<b>CENTRAL SUPPORT SERVICES</b>	The cost of central departments, which are apportioned over the various services.
<b>CIPFA (CPFA)</b>	The Chartered Institute of Public Finance and Accountancy
<b>COMMUNITY ASSETS</b>	Assets that the Council intends to hold in perpetuity, that do not have a finite life and may have restrictions over their disposal (e.g. Parks and Woods).
<b>CONTINGENCY</b>	A situation that exists at balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.
<b>CORPORATE AND DEMOCRATIC CORE COSTS</b>	Spending relating to the need to co-ordinate and account for the many services we provide to the public.
<b>CREDITORS</b>	Amounts owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.

<b>CURRENT ASSETS</b>	Short-term assets, which constantly change in value such as stocks, debtors and bank balances.
<b>CURRENT LIABILITIES</b>	Short-term liabilities, which are due to be paid in less than one year, for example, creditors and bank overdrafts.
<b>CLG</b>	Department for Communities and Local Government.
<b>DEBTORS</b>	Sums of money due to the Council but unpaid at the date of the balance sheet.
<b>REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE</b>	Spending on assets that have a lasting value, such as buildings, which we do not own.
<b>GOVERNMENT GRANTS</b>	Payments made by the government towards the cost of local council services. These are either for particular services or purposes (specific grants) or to fund local services generally (revenue support and area based grant).
<b>GROSS EXPENDITURE</b>	The cost of providing the Council's services before allowing for Government grants or other income.
<b>HERITAGE ASSETS</b>	For us, these are assets that are used by the Office of the Mayor.
<b>HOUSING BENEFITS</b>	A system of financial assistance towards certain housing costs, e.g., Rent Rebates, which are administered by the local council.
<b>HOUSING REVENUE ACCOUNT (HRA)</b>	The account which shows all the income and expenditure incurred in the management and maintenance of the Council's housing stock.
<b>IMPAIRMENT</b>	This is a reduction in an asset value due to physical damage, obsolescence or a decline in its market value.
<b>INFRASTRUCTURE ASSETS</b>	These are inalienable assets, expenditure which is recoverable only by continued use of the asset created (e.g. street lighting, tidy bins, and footpaths).
<b>INTANGIBLE ASSETS</b>	Spending on assets that cannot be physically seen, such as computer software.
<b>INVESTMENT PROPERTIES</b>	These are properties that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
<b>MINIMUM REVENUE PROVISION (MRP)</b>	The amount that we have to set aside each year to repay loans.
<b>NET EXPENDITURE</b>	This is the cost of providing a service after the deduction of specific government grants and other income, excluding Revenue Support Grant and Precept income.
<b>NDR</b>	Non Domestic Rates (see Business Rates).

<b>NON-OPERATIONAL ASSETS</b>	These are assets that are not directly occupied, used or consumed in the provision of service by the Council (e.g. Land awaiting development, industrial units, and shops).
<b>OPERATIONAL ASSETS</b>	These are assets held, occupied, used or consumed by the Council in the direct provision of the services for which it is responsible (e.g. Council Dwellings, Leisure Centres and Council Offices)
<b>POOLED BUDGETS</b>	This refers to services operated by the Council in conjunction with other local authorities, for example, the Building Control Service.
<b>PRECEPT</b>	The amount each Council in the area asks us to collect from council tax on their behalf each year.
<b>REVENUE CONTRIBUTIONS TO CAPITAL EXPENDITURE</b>	The financing of capital expenditure directly from revenue.
<b>REVENUE EXPENDITURE</b>	Spending on the day-to-day running of services, mainly staff, running expenses of buildings and equipment and debt charges.
<b>SOLACE</b>	Society of Local Authority Chief Executives
<b>SORP</b>	Statement of Recommended Practice.
<b>TEMPORARY LOANS</b>	Money borrowed for an initial period of less than one year.
<b>UK GAAP</b>	UK Generally Accepted Accounting Practice

## **NORTH WARWICKSHIRE BOROUGH COUNCIL**

### **2018/19 Annual Governance Statement**

North Warwickshire Borough 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, and used economically, efficiently and effectively. To do this, the Council is responsible for putting in place proper arrangements for the governance of its affairs and enabling the effective exercise of its functions, which includes arrangements for the management of risk.

The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The 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 available on our website.

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

#### **Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its 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.

The system of internal control is a significant part of that framework and is designed to manage risks at 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 governance statement has been in place at North Warwickshire Borough Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

#### **Review of effectiveness**

North Warwickshire Borough 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 its effectiveness is informed by:

- the work of the Senior Management Team and other managers within the Authority who have responsibility for the development and maintenance of the governance environment;
- work carried out by Internal Audit;
- comments made by the external auditors, Ernst & Young plc, in their annual audit letter and other reports. The external auditors also comment on the value for money achieved by the Council, as part of their opinion on the financial statements;
- feedback from other review agencies and inspectorates;
- the results of user surveys and feedback from residents; and
- feedback from Service Boards and Member Groups.

To ensure that the governance framework remains effective, senior officers and Members have reviewed individual elements of the framework. Review work has been undertaken by the Council's statutory officers with, for example, amendments made to the Constitution and Treasury Management Strategy.

Policy Boards use Task and Finish groups or Working Groups to review and scrutinise individual areas. The Constitution Task and Finish Group met during the year. In addition working parties met to progress Health and Wellbeing, Community Safety and Financial Inclusion and to monitor Section



106 Agreements. The Community Partnership also oversees actions taken in a number of areas, such as addressing poverty and raising aspirations and employability.

### **Council Structure and Corporate Governance**

The Council operates using a Committee system. This involves a number of Service Boards/Committees, responsible for specific areas of activity, which report back to the full Council. This meeting cycle of Board and Council meetings runs five times throughout the year. The remit and responsibilities of the Boards and Committee are set out in the Constitution of the Council, and include:

- Executive Board
- Resources Board
- Community and Environment Board
- Planning and Development Board
- Licensing Committee.

The Monitoring Officer effectively acts as the guardian of the Council's constitution and the decision making process. He/she is responsible for advising the Council on the legality of its decisions and providing guidance to elected Members on the Council constitution and its powers. He/she has the specific duty to ensure that the Council, its Officers and its elected Members maintain the highest standards of conduct in all that they do. This includes: reporting to the Council if a decision is unlawful or amounts to maladministration, maintaining Registers of Interests, and arranging for investigations into any matters or complaints referred to the Standards Committee.

We have a number of ways that concerns of any kind can be raised, by employees, Members of the Council or the public. These include Confidential Reporting arrangements and complaint procedures. Any concerns will be followed up by trained investigators and action will be taken in proven cases.

The Council has approved Anti-Fraud and Anti-Money Laundering Policies. We take fraud of any kind seriously, and our first aim is to prevent opportunities for fraud to occur, by building sufficient controls into systems and procedures. The Council also contributes to National and Regional Fraud Initiatives using data matching techniques.

### **Management Team**

All local authorities are required by law to have officers who fulfil three specific roles. At North Warwickshire Borough Council, these roles are carried out by the following post-holders within the Council:

- The Head of Paid Service – Chief Executive
- The Chief Financial Officer (CFO) – Corporate Director Resources
- The Monitoring Officer – Corporate Director Environment (the Corporate Director Community will take this role for an interim period from 1 April 2019).

The Head of Paid Service leads and takes responsibility for the running of the local authority on a day to day basis. The role requires the Chief Executive to work closely with elected Members to ensure strong and visible leadership and direction, ensure staff adhere to the strategic aims of the Authority and follow the direction set by elected Members. The Chief Executive acts as the principal policy advisor to elected Members, delivers the political objectives set by elected Members, leads and develops strong partnerships across the local community to achieve improved outcomes and better public services for local people, and oversees service development and all aspects of management within the Council.

All of the statutory officers are members of the Senior Management Team of the Council. The fourth member of the Senior Management Team is the Corporate Director Community, who adds a customer focus to any decision making of the Team. The Senior Management Team meets on a weekly basis.

The Council also has four Service Directors covering: Corporate Services, Housing Services, Leisure and Community Development and Streetscape. These Directors, together with the senior

Management Team and the Head of Development Control, make up the Extended Management Team, who meet on a monthly basis.

### **Standards**

The Council expects its Members and officers to maintain appropriate standards of conduct and behaviour. These are set down in codes of conduct, standing orders, financial regulations, policies and processes, which are regularly reviewed. Compliance is monitored on an ongoing basis, and supplemented by information through the complaints and compliments procedure and confidential reporting policy.

Both Members and officers are required to declare gifts and hospitality received, for inclusion on the register of interests maintained by the Monitoring Officer. An Internal Audit on Gifts and Hospitality undertaken during the year provided a satisfactory audit opinion, with a few recommendations for improvements. These were implemented before the end of the year.

### **Performance Management**

The Council assesses the needs of the area through the Sustainable Community Strategy process and work with the North Warwickshire Community Partnership. The Council's Corporate Plan provides clear links on how the achievement of Council priorities assists in the delivery of community objectives. The Corporate Plan is approved before the start of each year and identifies the headline targets for the coming year, which are supported by greater detail within individual service plans.

All members of the senior management team contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives. The CFO and monitoring officer provide financial and legal advice and support to elected representatives to inform their decision making.

During the year progress against Corporate Plan targets is reported to senior managers, Management Team and to service boards on a quarterly basis, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and is also published on the Council's website. This system has been operating for some time, so a review is planned in the coming year to ensure that it is still fit for purpose.

As well as monitoring achievement of identified outcomes, the Council wants to ensure that an excellent quality of service is provided. It ensures this in a number of ways: obtaining user feedback, through independent inspection and audit and through system reviews. The Council takes part in Peer Challenge reviews periodically. Peer challenges are improvement-focussed and tailored to meet individual councils' needs, to complement and add value to a council's own performance and improvement focus. One of these reviews highlighted communication as an area for improvement, and during 2018/19 we have continued to focus on how we communicate, to ensure revised arrangements are working as intended.

### **Information Management**

Information management is a key concern for the Council, with all Members and officers having responsibilities for its governance. The Council's Data Protection Officer provides policies, training and guidance to ensure compliance with legislation, and investigates any breaches that may arise.

A significant piece of work on reviewing and adapting the Council's processes and procedures was undertaken, to ensure compliance with the General Data Protection Regulations which came into effect on 25 May 2018. A Data Protection Officer and a Senior Information Risk Owner were appointed and a corporate working group met regularly to ensure that data was reviewed, and only held in compliance with the Regulations. The Senior Information Risk Owner is responsible for implementing a risk assessment programme and advising the Executive Board of the effectiveness of the Council's information risk management procedures.

## **Financial Management**

The Chief Financial Officer must be a member of a specified accountancy body. The CFO is responsible for the proper administration of the Council's financial affairs and has specific legislative responsibilities, as he/she has a fiduciary responsibility to the local taxpayer. In England, the CFO has a statutory duty to report to the authority at the time the budget is considered and the council tax set, on the robustness of the budget and the adequacy of financial reserves. With regard to capital spending, there is a statutory requirement to set and arrange the Council's affairs to remain within limits for borrowing and capital investment. The CFO must also be proactive in the management of change and risk, be focussed on outcomes and help to resource the authority's plans for change and development in the public services it provides. The CFO's duties include a requirement to report to all the local authority's members, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

The Council has comprehensive forecasting and budgeting procedures. A medium term business and financial planning process is used to deliver the authority's strategic objectives, including:

- A 30 year Business Plan for the Council's housing stock to ensure ongoing viability, which is reviewed annually;
- A Medium Term Financial Strategy to ensure sustainable finances for all other Council services, which is updated twice a year, in February and September;
- A Capital Strategy which is updated annually;
- A 3 year capital programme and a 10 year capital projection, which are updated annually;
- A Treasury Management and Investment strategy, which is updated annually; and
- A monitoring process that enables this to be delivered.

Financial information is provided on a monthly basis to the Management Team, and three times during the year to each Service Board. Periodic and annual reviews of financial reports indicate financial performance against forecasts for all of the Council's spending. Summary information is also published.

Financial Regulations and Contract Standing Orders are in place, for use by all Members and Officers. These ensure there is effective use and control of resources, and robust and transparent decision making. The Financial Regulations were reviewed during the year.

The CFO ensures that the Council's financial management arrangements conform to the governance requirements of the CIPFA Standard. This includes ensuring that all members of the Senior Management Team have the financial capabilities necessary to perform their respective roles. The CFO also accesses expert advice on specific areas such as Treasury Management and VAT, as required.

## **Risk Management**

There are risks involved with the provision of any services, so the Council uses a system of risk management to minimise and manage the risks it faces. It does this by identifying both strategic and operational risks, looking at existing controls in place to reduce these, and amending these or bringing in new controls where this is beneficial.

The system involves an annual review of strategic risks by the Senior Management Team and an annual review by senior managers of operational risks in their service areas. This enables all Senior Managers to complete Annual Statements of Assurance, and to identify actions that are needed to management risk in the coming year, including the identification of any new risks.

Risks are reviewed corporately part way through the year, and specific checking is carried out during the year by the Internal Audit section, as part of their audit work. The Resources Board receive a mid year update on risk management activity, as well as an annual report. The annual report includes information on the strategic risks, as well as the more significant operational risks.

As part of our risk management, the Council has insurance in place to cover the risk of loss. The levels of cover and the excess amounts are kept under continual review.

## **Internal Audit**

A key feature of regulations the Council needs to comply with is the requirement for internal audit. A local authority must maintain an adequate and effective system of internal audit of its accounting records and its system of internal control. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.

An external review of the Internal Audit service in 2017 highlighted a few areas for improvement. These have all been addressed, so the service can demonstrate compliance with the Public Sector Internal Audit standards.

Internal Audit has a risk based approach to formulate audit plans and determine the scope of audit reviews. The work undertaken by Internal Audit has enabled the Head of Internal Audit to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda. Specialist counter-fraud consultants have been used in the review of IT controls that was carried out during the year.

The Council has a zero tolerance to all forms of fraud, error and corruption, and employs a counter fraud officer who works closely with the Revenues, Benefits and Housing teams to identify, deter and prevent all forms of fraud and error. We also have a joint working agreement with the Department for Works and Pensions.

## **Responsibilities of Officers and Members**

The Council ensures that it is operating efficiently by specifying the different roles and responsibilities of both Councillors and Officers. The remit of each decision making Board is set down in the constitution, along with the roles of individual Councillors. The Council does not have an Audit Committee, but instead divides the core functions between the Executive Board and the Resources Board. The constitution also outlines the responsibilities of senior officers, and areas where they have been given delegated powers. Employee contracts include job descriptions, and these give the detail of individual roles, for all employees.

The Council uses workforce planning to identify future staffing requirements. This projects future service needs and the workforce that would be needed for their delivery. Some recruitment difficulties were experienced during the year and these, together with the election of a new Council in May 2019, have highlighted the need to review and update workforce plans.

The Council uses an appraisal system to set specific targets for individual staff on an annual basis. These targets reflect their Division's targets in the Corporate Plan and the Divisional Service Plan and are subject to a six monthly review. The appraisal system is also used to assess the training and development needs of individual employees, and ensure that they have the skills and abilities to carry out the tasks required.

Induction training is carried out whenever a new Member is elected. After that, Member training is generally identified by individuals, or in response to issues that arise. An exception to this is the area of planning, as increasing changes in planning laws and regulations have resulted in fairly regular sessions being arranged.

## **Significant Governance Issues**

Progress has been made with the implementation of the Corporate Governance Action Plan approved last year, although some areas still require completion.

Action	Responsible Officer	Completion Date
Mid year review of identified risk management actions	CDR	Dec 2018
Review, and where appropriate, make interim arrangements to revise the Council's priorities and key actions	CE	Dec 2018
Deliver targets within the Financial Strategy	CDR	Feb 2019
Update and deliver the training plan for Members	CDE / CDR / D – L&CD	March 2019
Update the Workforce Plan	CDR / D's / SH –P	In progress
Implement external review recommendations in Internal Audit	CDR	May 2018
Monitor / take part in developing Regional / Sub Regional Governance	CE	March 2019
Continue to seek mitigation against the impact of HS2 on the Borough	CDE	March 2019
Officer training on Emergency Planning/Business Continuity	CE	March 2019
Complete the work on the Constitution with the Task & Finish Group	CDE	March 2019
Review the Code of Governance, to ensure consistency with the latest CIPFA / SOLACE guidance	CDR	In progress

The review of the governance framework during 2018/19 has identified the following issues:

Action	Responsible Officer	Completion Date
Provide induction training for newly elected Members	ACE	
Agree and deliver training plans for new Members	ACE / CDR	
Agree the priorities and key actions of the new Council	ACE	
Revise the Capital Strategy to ensure compliance with new priorities	CDR	
Deliver targets within the Financial Strategy	CDR	
Review Contract Standing Orders and procurement documentation to ensure they take account of the Modern Slavery Act	D – CS	
Review reporting arrangements for corporate priorities	ACE	
Review and update Workforce Plans	CDR	
Review compliance with GDPR compliance	ACE	
A review of the process and procedures through which Community Grants are awarded to outside organisations	D – L&CD	
A review of the new Building Control Partnership arrangements	CDE	
Finalise a Communications Strategy and develop a plan to ensure communication supports the council's priorities	D - CS	

We propose over the coming year to take steps to address the above matters to further enhance 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:.....  
Leader of the Council

Signed:.....  
Acting Chief Executive



## **Agenda Item No 11**

### **Executive Board**

**17 June 2019**

#### **Report of the Acting Chief Executive**

#### **Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April 2018 - March 2019**

### **1 Summary**

- 1.1 This report informs Members of the progress with the achievement of the Corporate Plan and Performance Indicator targets relevant to the Executive Board for April 2018 to March 2019.

#### **Recommendation to Council**

**That Members consider the performance achieved and highlight any areas for further investigation.**

### **2 Consultation**

- 2.1 Consultation has taken place with the relevant Members and any comments received will be reported at the meeting.

### **3 Background**

- 3.1 This report shows the year end position with the achievement of the Corporate Plan and Performance Indicator targets for 2018/19. This is the fourth report showing the progress achieved so far during 2018/19.

### **4 Progress achieved during 2018/19**

- 4.1 Attached at Appendices A and B are reports outlining the progress achieved for all the Corporate Plan targets and the performance with the national and local performance indicators during April 2018 to March 2019 for the Executive Board.
- 4.2 Members will recall the use of a traffic light indicator for the monitoring of the performance achieved.

Red – target not achieved (shown as a red triangle)

Green – target achieved (shown as a green star)

## 5 Performance Indicators

- 5.1 The year end returns are subject to review by Internal Audit and therefore maybe subject to changes. Any amendments to the returns will be reported to a future meeting of the board. Information for the Forward Planning indicators is currently being collated. An updated appendix will be provided to the board once the returns are finalised.

## 6 Overall Performance

- 6.1 The Corporate Plan performance report shows that 91% of the Corporate Plan targets and 33% of the State of Borough Indicators performance indicator targets and 50% of the Council Indicators have been achieved. Targets have not been achieved relating to development of a Transport Strategy, some of the community safety indicators and for Environmental Health requests for services. The report shows the individual targets that have been classified as red or green. Individual comments from the relevant division have been included where appropriate. The table below shows the following status in terms of the traffic light indicator status:

### Corporate Plan

Status	Number	Percentage
Green	10	91%
Red	1	9%
Total	11	100%

### Performance Indicators

#### State of the Borough Indicators

Status	Number	Percentage
Green	2	22%
Red	3	33%
To be confirmed	4	44%
Total	9	100%

#### Council Performance Indicators

Status	Number	Percentage
Green	2	50%
Red	2	50%
Total	4	100%



## **7 Summary**

- 7.1 Members may wish to identify any areas that require further consideration where targets are not currently being achieved.

## **8 Report Implications**

### **8.1 Safer Communities Implications**

- 8.1.1 The community safety performance indicators are included in the report.

### **8.2 Legal, Data Protection and Human Rights Implications**

- 8.2.1 The national indicators were specified by the Secretary of State for Communities and Local Government. They have now been ended and replaced by a single list of data returns to Central Government from April 2011.

### **8.3 Environment and Sustainability Implications**

- 8.3.1 Improvements in the performance and quality of services will contribute to improving the quality of life within the community. There are a number of targets and indicators included which contribute towards the priorities of the sustainable community strategy including financial inclusion, core strategy, community safety and affordable housing,

### **8.4 Risk Management Implications**

- 8.4.1 Effective performance monitoring will enable the Council to minimise associated risks with the failure to achieve targets and deliver services at the required performance level.

### **8.5 Equality Implications**

- 8.5.1 There are a number of contributions towards equality related targets and indicators including, informing customers about opportunities to influence decision making, customer access, consultation, domestic abuse and financial inclusion highlighted in the report.

### **8.6 Links to Council's Priorities**

- 8.6.1 There are a number of targets and performance indicators contributing towards the priorities of protecting our countryside and heritage, creating safer communities, responsible financial and resource management, supporting employment and businesses and promoting sustainable and vibrant communities.

The Contact Officer for this report is Robert Beggs (719238).

### Background Papers







Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

Executive Board 18/19					
	Action	Priority	Reporting Officer	Year End	Direction
17	To progress the Local Plan through Inquiry towards adoption by October 2018	Protecting our Countryside & Heritage	Dorothy Barratt	Further hearings have been held. A response is now awaited from the Inspector to determine the next stage.	Green
18	Whilst continuing to oppose a) the route of HS2 Phase 2b in principle, to press for maximum mitigation and benefits for the Borough, required as a consequence of the HS2 proposal, in partnership with other affected Councils and community action groups and; b) To continue to oppose the principle of Opencast Mining and Mineral Extraction	Protecting our Countryside & Heritage	Dorothy Barratt	The Bill will be deposited in 2020. Further work to progress the draft bill is expected during the summer / autumn.	Green
19	To ensure that the Council is prepared for emergencies and has suitable emergency and business continuity plans, as required by the Civil Contingencies Act, and to review both the emergency and business continuity plans annually in March	Creating Safer Communities	Robert Beggs	The call out cascade has been updated to take account of the current Acting Chief Executive position. Further consideration of our resilience to carry out the specific roles during an emergency incident will be undertaken by Management Team. An update to the Emergency Plan has been prepared to take into account the staffing changes. A similar update has also been prepared for the Corporate Business Continuity Plan. Divisional Business Continuity Plans have been requested to also be updated.	Green
20	To achieve the savings required by the Budget Strategy including the commitment to keep Council Tax as low as possible and to update the Strategy to reflect future developments by September 2018	Responsible Financial & Resource Management	Sue Garner	The savings for 2019/20 were found. The Strategy was updated in September 2018 and February 2019.	Green
21	To report on the Council's debt and reserves and the Council's capital funding gap by February 2019	Responsible Financial & Resource Management	Sue Garner	A report was taken to Executive Board in February 2019.	Green
22	To update the Medium Term Financial Strategy in September 2018 and February 2019, to take account of external funding changes relating to Business Rates	Responsible Financial & Resource Management	Sue Garner	The financial strategy was updated and reported to Executive Board in September 2018 and February 2019.	Green
23	To continue to work with partner organisations in the Coventry, Warwickshire and Hinckley Joint Committee and to consider further options for joint work in the light of Central Government proposals for greater devolution, if this proves beneficial to the local economy	Supporting Employment & Business	Steve Maxey	The Joint Committee met in November and commissioned planning officers to produce revised evidence for the sub-region. That work will be reported to the Warwickshire Lead Officers meeting in July and then onto the Joint Committee at their next meeting in September/October. Work continues with WMCA, Transport for the West Midlands, the West Midlands Rail Executive and Midlands Connects on transport solutions for the Borough. These are likely to initially focus on Coleshill Parkway and will be included in the first North Warwickshire Transport Strategy which will be reported to Members later this year before a public consultation.	Green
24	To continue to work with Warwickshire County Council, the Environment Agency and local communities to mitigate the effects of, and protect against, the impacts of localised flooding and to update as part of the quarterly performance reports	Creating Safer Communities	Richard Dobbs/Steve Maxey	Audit of flood prevention material has been completed and we have sufficient stocks. The regional Flood Group continues to meet on a quarterly basis and a local Multi-Agency Flood Prevention Group has been established for Grendon	Green

	Action	Priority	Reporting Officer	Year End	Status	Direction
25	To ensure we communicate effectively to help inform residents, businesses and all sections of our communities of the Council's services and priorities and made clear the opportunities for them to be involved in decision making via consultation. To take into account the LGA Communications Health-Check and the commitments in the Council's Customer Access Strategy in all aspects of work in this area and to report on progress by May 2018	Promoting Sustainable & Vibrant Communities	Linda Bird/Steve Maxey/Bob Trahern	Awareness of activity and the ability to get involved was again featured strongly in the March edition of North Talk expanding on the proactive help and opportunities available to customers. This aligned with increased social media activity is ensuring key messages are being communicated by a wide range of communication channels that is helping to address wider awareness and engagement in Council work.	Green	↑
26	To implement, and then maintain, any changes required by the General Data Protection Regulations by May 2018	Responsible Financial & Resource Management	Steve Maxey	The work previously reported continues and the Data Protection Officer and Assistant Data Protection Officer meet regularly to work through issues as they arise. A further round of training will be organised shortly	Green	↑
27	To develop a North Warwickshire Transport Strategy, together with Warwickshire County Council, by March 2019	Supporting Employment & Business	Steve Maxey	The issues and options for the Strategy have been drafted by officers but consultation needed to wait until after the election period. This will now be reported to Members later in the year with a public consultation to follow	Red	↓

Ref	Description	Section	Priority	Year End Target 2018/19	Outturn 2017/18	April - Mar Performance	Traffic Light	Direction of Travel	Comments
	<b>Council Performance Indicators</b>								
NWLPI 158	To respond to all complaints and requests for service within three working days	Env Health (C, L & HP)	Public Services and Council Tax	99	98	89	▲ Red	↔	The issues have been vacancies in the Pollution Team and sickness in the Domestic Team.
NWLPI 126 Annual	% permitted process inspections carried out within scheduled timescale	Env Health (C, L & HP)	Public Services & Council Tax	100	100	100	★ Green	➔	
NWLPI 162	Percentage of Freedom of Information replies dealt with within 20 days	Policy Support	Public Services & Council Tax	100	96%	98%	▲ Red	↔	861 Freedom of Information requests received, 842 completed within 20 days, 17 over 20 days, 2 outstanding and overdue
New	The number of LG & Housing Ombudsman complaints determined as maladministration	Policy Support	Public Services & Council Tax	0	0	0	★ Green	➔	Annual review letter expected in July from the LG & Social Care Ombudsman. Most recent complaint considered found no maladministration.
	<b>State of the Borough Indicators</b>								
NWLPI 153	Number of burglary residential dwellings	Policy Support	Crime and Disorder	270	271	269	★ Green	➔	The levels of burglary residential dwelling have decreased by 2no compared to last year. The 2019/20 Strategic Assessment shows the wards of Fillongley and Curdworth having the highest rates per 1000 population. A number of prevention actions are being taken including packs for victims, promotion of rural watch and use of mobile CCTV. The use of a License Plate Capture Device is being piloted in Fillongley to help improve intelligence about offenders and improve detections.
NWLPI 154	Number of violent offences and sexual offences in the local authority area	Policy Support	Crime and Disorder	1416	1417	1545	▲ Red	↔	The levels of recorded violence offences have increased again this year. The impact of changes in recording practices have not yet levelled out. The majority of the offences are attributable to violence with and without injury. Violence without injury accounts for 880 offences. The violence with injury levels relating to domestic abuse have increased by 31 offences to 183. The 2019/20 Strategic Assessment has identified the wards of Atherstone Central, Atherstone North, Curdworth and Dordon has having the highest levels per 1000 population.

Ref	Description	Section	Priority	Year End Target 2018/19	Outturn 2017/18	April - Mar Performance	Traffic Light	Direction of Travel	Comments
NWLPI 155	The number of vehicle crimes in the local authority area	Policy Support	Crime and Disorder	600	601	601	 Red		The level of Vehicle crimes overall has remained static. Theft from vehicles has increased by 16 and theft of vehicles has decreased by 16. The 2019/20 Strategic Assessment has highlighted the wards of Fillongley, Curdworth and Dordon having higher rates. Some specific hot spot locations are identified including Corley Services and hotels. Crime prevention messages regarding vehicle crimes are being promoted and specific locations are being followed up to improve their local security measures.
@NW:NI032	Violence Against the person with injury Offences related to Domestic Violence	Policy Support	Crime and Disorder	151	152	183	 Red		The levels of violence with injury relating to domestic abuse overall has increased by 31 offences. The levels of domestic violence and abuse overall are fairly static with approximately 33% of all violence offences. The level of increase is a concern. Additional support for victims of domestic abuse are provided locally via Warwickshire Domestic Abuse Counselling Services. The demands for services are high and a large number of incidents are unreported.
@NW:NI047	People killed or seriously injured in road traffic accidents	Policy Support	Crime and Disorder	70	71	57	 Green		The figure shown is for April to February only. The March figures are not as yet finalised.
NWLPI 008	The percentage turnout for local elections	Democratic Services	Public Services & Council Tax	39	N/A	-	-	-	No elections held during 2018/19 year
NW: NI 154	Net additional homes provided	Forward Planning	Countryside and Heritage	264	186				Information currently being collated
NW: NI 155	Number of affordable homes delivered	Forward Planning	Countryside and Heritage	53	56				Information currently being collated
NW: NI 159	Supply of ready to develop housing sites	Forward Planning	Countryside and Heritage	100	95.38%				Information currently being collated
NWLPI 015	Percentage of new homes built on previously developed land	Forward Planning	Countryside and Heritage	35	22%				Information currently being collated

**NORTH WARWICKSHIRE BOROUGH COUNCIL**

**MINUTES OF SAFER COMMUNITIES  
SUB-COMMITTEE**

**12 March 2019**

Present: Councillor Reilly in the Chair

Councillors Clews, Davis, L Dirveiks, Jarvis, Jenns, Phillips, E Stanley, M Stanley and Symonds.

Apologies for absence were received from Councillor Payne.

Councillor M Humphreys and D Wright were also in attendance.

**16 Disclosable Pecuniary and Non-Pecuniary Interests**

None were declared at the meeting.

**17 Minutes of the Meeting of the Sub-Committee held on 31 January 2019**

The minutes of the meeting of the Sub-Committee held on 31 January 2019, copies having been previously circulated, were approved as a correct record and signed by the Chairman.

**18 Fly Tipping Progress Report and Revised Action Plan 2019/20**

The Chief Executive provided Members with an update on progress on the action plan for tackling fly tipping across the Borough. A review of the action plan had been carried out and a revised version of the plan was included within the report of the Chief Executive.

**Resolved:**

- a That the progress report be noted;**
- b That the revised action plan included within the report be agreed; and**
- c That the arrangements for the disposal of household waste to an authorised person be communicated to the public via North Talk, along with a list of licenced disposal operators.**

**19 North Warwickshire Community Safety Partnership Update**

The Chief Executive provided Members with an update on recent activities with the North Warwickshire Community Safety Partnership. The report included information about the draft Strategic Assessment 2019/20, latest 2018/19 crime statistics and updates about actions in the partnership plan 2018/19.

**Resolved:**

- a That the update be noted;**
- b That the progress with the implementation of the CCTV scheme for Polesworth be noted;**
- c That the findings and proposed priorities of the draft Strategic Assessment 2019/20 be noted and that further information be provided in relation to responses to all crimes;**
- d That the ongoing discussions within the partnership to review the structures and working practices be noted; and**
- e That further information regarding the preparation of consultation for a Public Spaces Protection Order covering Atherstone Town Centre be brought to the Sub-Committee for consideration.**

**20 Corporate Plan 2018 - 19**

The Chief Executive submitted for approval the Corporate Plan Targets for which the Sub-Committee was responsible and Members were asked to agree the 2019-20 Safer Communities Service Plans for the Policy Support and Leisure and Community Development Divisions.

**Resolved:**

- a That the Corporate Plan Targets as set out in Appendix A to the report be agreed; and**
- b That the Service Plans as set out in Appendix B to the report be agreed.**



**21 Progress Report on Achievement of Corporate Plan Targets April  
- December 2018**

The Chief Executive informed Members of the progress with the achievement of the Corporate Plan targets relevant to the Safer Communities Sub-Committee for April 2017 to December 2018.

**Resolved:**

**That the report be noted.**

Councillor Reilly  
Chairman

