To: Leader and Members of the Executive Board
(Councillors Humphreys, Chambers, Farrell, Hayfield, Phillips, Reilly, Simpson, Smith and D Wright)

For the information of other Members of the Council

For general enquiries please contact David Harris, Democratic Services Manager, on 01827 719222 or via e-mail - davidharris@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

19 SEPTEMBER 2016

The Executive Board will meet in the Committee Room at the Council House, South Street, Atherstone, Warwickshire on Monday 19 September 2016 at 6.30pm

AGENDA

1 **Evacuation Procedure and Apologies for Absence / Members away on official Council business.**

2 **Disclosable Pecuniary and Non-Pecuniary Interests**

3 **Minutes of the meetings of the Board held on 14 June 2016** - copy herewith to be agreed as a correct record and signed by the Chairman.

4 **Public Participation**

Up to twenty minutes will be set aside for members of the public to ask questions or to put their views to elected Members. Participants are restricted to five minutes each. If you wish to speak at the meeting please contact David Harris on 01827 719222 or email democraticservices@northwarks.gov.uk.

ITEMS FOR DISCUSSION AND DECISION
(WHITE PAPERS)

5 **Financial Statements 2015/16** – Report of the Deputy Chief Executive

Summary

The Annual Financial Statements have to be signed by the Responsible Financial Officer (the Deputy Chief Executive) and approved by a full Board of the Council by the end of September 2016. This report presents the audited Financial Statements.

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

6 **External Auditors' Report -** Report of the Deputy Chief Executive

Summary

The main purpose of this report is to inform Members of the External Auditors' report to those charged with governance.

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

7 **Financial Strategy 2017-2021 -** Report of the Deputy Chief Executive

Summary

This report summarises the Authority's Financial Strategy, projects forward the Authority's General Fund budgets to 2020/21, and suggests a detailed budget approach for the 2017/18 General Fund Budget.

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

8 **Budgetary Control Report 2016/17 - Period Ended 31 August 2016 -** Report of the Assistant Director (Finance and Human Resources)

Summary

The report covers revenue expenditure and income for the period from 1 April 2016 to 31 August 2016. The 2016/2017 budget and the actual position for the period, compared with the estimate at that date, are given, together with an estimate of the out-turn position for services reporting to this Board.

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

9 **Appointment of External Auditors** - Report of the Deputy Chief Executive

Summary

The appointment of the Council's current auditors ends at the end of 2017-18, it will therefore be necessary to appoint new auditors for the 2018-19 financial audit and beyond. An appointment will need to be completed by December 2017.

The Contact Officer for this report is Chris Brewer (719259)

10 **Needs and Redistribution of Funding Efficiency Plan** - Report of the Deputy Chief Executive

Summary

The Government has issued a consultation paper on the assessment of relative spending needs for local authorities. The consultation closes on 26 September 2016. This report summarises the consultation and attaches a draft response.

The Contact Officer for this report is Chris Brewer (719259)

11 **100% Business Rates Retention Consultation -** Report of the Deputy Chief Executive

Summary

In July, the DCLG published the consultation paper, 'Self-sufficient local government: 100% Business Rates Retention'. The report highlights the areas covered within the consultation document on 100% Business Rates Retention.

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

12 **Review of Leisure, Health and Well-being Provision in North Warwickshire – Use of Urgent Business Powers -** Report of the Assistant Director (Leisure and Community Development)

Summary

This report seeks the Board's endorsement of action taken under the Chief Executive's Urgent Business Powers to engage consultants to undertake the previously approved Review of Leisure, Health and Well-being Provision in North Warwickshire and to note the increase in the revenue budget through which to carry out this work.

The Contact Officer for this report is Simon Powell (719352)

13 **Progress Report on Achievement of Corporate Plan and Performance Indicator Targets – April to June 2016** – Report of the Chief Executive and the Deputy 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 to June 2016.

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

14 **Board Membership** – Report of the Chief Executive

Summary

The purpose of this report is to seek authorisation for any possible amendments to representation on Boards resulting from the Arley and Whitacre Ward By-Election to be held on Thursday 22 September 2016.

The Contact Officer for this report is David Harris (719222).

15 **Efficiency Plan -** Report of the Deputy Chief Executive

Summary

The government have given local authorities the opportunity to apply for a four year financial settlement deal. Applications are required by 14 October 2016.

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

16 **Minutes of the meeting of the Local Development Framework Sub-Committee held on 3 August 2016** copy herewith to be received and noted**.**

17 **Minutes of the meeting of the Safer Communities Sub-Committee held on 19 July 2016** copy herewith to be received and noted**.**

18 **Minutes of the meetings of the Special Sub-Group held on 26 July and 23 August 2016 (copies herewith) and 13 September 2016** (to be circulated) to be received and noted**.**

JERRY HUTCHINSON
Chief Executive

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE EXECUTIVE BOARD **14 June 2016**

Present: Councillor Humphreys in the Chair

Councillors Bell, Chambers, Davey, Farrell, Hayfield, Phillips, Reilly and D Wright

Apologies for absence were received from Councillors Simpson (substitute Councillor Davey) and Smith (substitute Councillor Bell)

Councillor Sweet was also in attendance.

3 **Declarations of Personal or Prejudicial Interest.**

None were declared at the meeting.

4 **Minutes of the meetings of the Board held on 9 February and 24 May 2016.**

The minutes of the meetings of the Board held on 9 February and 24 May 2016, copies having been circulated, were approved as a correct record and signed by the Chairman.

5 **Presentation from Steve Maxey, Assistant Chief Executive and Solicitor to the Council**

The Assistant Chief Executive and Solicitor to the Council provided an overview of the work of his Division.

6 **Capital Programme – 2015/16 Final Position**

The Assistant Director (Finance and Human Resources) updated Members on the final position of the 2015/16 Capital Programme and highlighted those schemes which had not progressed as quickly as expected and which were recommended to be carried forward into the 2016/17 Capital Programme.

Recommended:

a **That the level of expenditure incurred to the end of March 2016 against the 2015/16 Revised Capital Programme be noted;**

b **That the requests to carry forward schemes identified in column 6 of Appendix A to the report of the Assistant Director (Finance and Human Resources) be approved and added to the 2016/17 Capital Programme; and** c **That the 2016/17 budget for the replacement of General Fund vehicles be reduced by £65,480, to reflect the early replacement of the Compact Sweeper.**

7 **Capital Accounts 2015/16**

The Board was informed that the Capital Accounts for 2015/16 had been prepared. Members were invited to approve the methods of funding used.

Recommended:

That the methods of funding to meet capital expenditure incurred in 2015/16 be approved.

8 **Earmarked Reserves 2016/17**

The Deputy Chief Executive reported on the level of reserves at 31 March 2016. Members were asked to approve the proposed use of reserves in 2016/17.

Recommended:

That the reserves held at 31 March 2016, and the planned use of reserves in 2016/17 be approved.

9 **Annual Governance Statement 2015/16**

The Deputy Chief Executive reported on the Annual Governance Statement setting out the arrangements the Council had put in place for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. Members were asked to approve the Statement and Improvement Plan.

Recommended:

a **That the Annual Governance Statement for 2015/16, attached as Appendix A to the report of the Deputy Chief Executive be approved; and**

b **That the Improvement Plan, attached as Appendix C to the report be approved and progress against the plan be reported to Board.**

10 **Financial Statements 2015/16**

The Deputy Chief Executive reported on the Annual Financial Statements for 2015/16 and Members were asked to agree a suggested course of action.

Resolved:

That the position on the General Fund and Housing Revenue Account at 31 March 2016 be noted.

11 **Pay Policy Statement**

The Assistant Director (Finance and Human Resources) presented the Pay Policy Statement for consideration. A revised page 2 was circulated at the meeting.

Recommended:

That, subject to reviewing the wording of the section titled "Increases to Pay" on page 5 of the document, the Assistant Director (Finance and Human Resources), in consultation with the Leader of the Council and the Leader of the Opposition, be given delegated authority to approve the Pay Policy Statement 2016/17.

12 **Funding for Parking Study**

The Assistant Director (Streetscape) sought approval for a supplementary estimate to cover the cost of a Borough wide parking study to inform the work of the Parking Task and Finish Group and the future implementation of Civil Parking Enforcement within the Borough.

Recommended:

That a supplementary estimate of £23,400 to undertake a Borough wide parking study be approved.

13 **Revised Child Protection Policy and Update on Child Protection Work**

The Assistant Director (Leisure and Community Development) gave an update on child protection work and presented a revised Child Protection Policy for approval.

Recommended:

a **That the revised Child Protection Policy, attached at Appendix 1 to the report of the Assistant Director**

(Leisure and Community Development), be adopted and implemented with immediate effect; and

b That the child protection work that has been undertaken over the last 12 months be noted.

14 **Members' Code of Conduct – Independent Persons**

The Assistant Chief Executive and Solicitor to the Council invited Members to consider applications for the role of Independent Persons.

Recommended:

That the applications for the role of Independent Persons be accepted.

15 **HS2 Qualifying Authority**

The Assistant Chief Executive and Solicitor to the Council sought authority to sign the HS2 Planning Memorandum, so that the Council became a Qualifying Authority for the purposes of the HS2 Hybrid Bill.

Recommended:

a That the HS2 Planning Memorandum be signed; and

b That delegated powers to determine applications relating to HS2 be given to the Assistant Chief Executive and Solicitor to the Council and the Head of Development control, subject to the consultation detailed in the report.

16 **Council Tax Support Scheme 2017/18**

The Assistant Chief Executive (Community Services) outlined the recommended Council Tax Support (CTS) Scheme for 2017/18 on which the Council would need to consult in the summer.

Recommended:

a That the retention of an 8.5% reduction in Council Tax Support to all current working age customers in the 2017/18 Council Tax Support Scheme be approved; and

b That the Council consults on a number of technical changes to be made to the current Local Council Tax

Support Scheme to fall in line with statutory changes as advised by the Department of Work and Pensions.

17 **Health and Well-being Working Party Terms of Reference**

The Board was invited to endorse the Terms of Reference and Membership for the Health and Well-being Working Party.

Recommended:

That the Terms of Reference and Membership for the Health and Well-being Working Party as set out in Appendix A to the report of the Assistant Director (Leisure and Community Development) be approved.

18 **Request for Virement of Budget to Fund Unavoidable Treeworks**

The Assistant Director (Leisure and Community Development) sought' approval for a proposal to vire monies arising from a predicted salary underspend on the Landscape Management revenue budget to the Green Space revenue budget to fund unavoidable treeworks.

Recommended:

That the proposal to vire monies arising from a predicted salary underspend on the Landscape Management budget to the Green Space revenue budget to fund unavoidable treeworks be approved.

19 **Anti-Fraud, Bribery and Corruption Policy**

The Deputy Chief Executive summarised the key issues contained within the Anti-Fraud, Bribery and Corruption Policy and the Board was asked to agree a suggested course of action.

Recommended:

That the report be noted and the Policy attached to the report of the Deputy Chief Executive be adopted.

20 **Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April 2015 to March 2016**

The Chief Executive reported on the progress with the achievement of the Corporate Plan and Performance Indicator targets applicable to Executive Board for April 2015 to March 2016.

Resolved:

That the report be noted.

21 **Minutes of the meeting of the Local Development Framework Sub-Committee held on 25 April 2016**

The minutes of the meeting of the Local Development Framework Sub-Committee held on 25 April 2016 were received and noted.

22 **Minutes of the meeting of the Safer Communities Sub-Committee held on 16 March 2016**

The minutes of the meeting of the Safer Communities Sub-Committee held on 16 March 2016 were received and noted.

23 **Minutes of the meetings of the Special Sub-Group held on 8 March and 12 April 2016**

The minutes of the meetings of the Special Sub-Group held on 8 March and 12 April 2016 were received and noted.

24 **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 in Schedule 12A to the Act.

25 **Members' Code of Conduct – Independent Persons**

This matter was determined earlier in the meeting – Minute No 14 refers.

26 **Planning Appeals**

The Assistant Chief Executive and Solicitor to the Council sought authority for a supplementary estimate towards the costs of defending a number of planning appeals.

Recommended:

That a supplementary estimate in the sum set out in the report of the Assistant Chief Executive and Solicitor to the Council of £80,000 be agreed.

David Humphreys
Chairman

Agenda Item No 5

Executive Board

19 September 2016

Report of the Deputy Chief Executive

Financial Statements 2015/16

1 Summary

1.1 The Annual Financial Statements have to be signed by the Responsible Financial Officer (the Deputy Chief Executive) and approved by a full Board of the Council by the end of September 2016. This report presents the audited Financial Statements.

Recommendation to the Board
That the 2015/16 Financial Statements shown in Appendix A be approved.

2 Introduction

2.1 The publication of the Financial Statements is a statutory requirement, with a statutory timetable. For the 2015/16 financial year, the Authority is required to prepare its accounts by 30 June and to publish them by 30 September.

3 2015/16 Financial Statements

3.1 A report was brought to the June meeting of this Board, which gave a summary of the position on both the General Fund and Housing Revenue Account (HRA) at 31 March 2016. The out-turn position was better than expected in the revised estimates, for both the General Fund and the Housing Revenue Account.

4 Audit of the Financial Statements

4.1 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 may change following the audit.

4.2 The financial statements have been audited by the Council's external auditors, Ernst & Young LLP, with just a small amount of audit work still to be completed.

. . .

4.3 A few changes to the statements were required which have affected the Balance Sheet:

- Notification of three NDR refunds was received from the Valuation Office in March 2016, which were paid in April 2016. These should have been accounted for in 2015/16, and had been missed. They affected the short term debtors and creditors in the balance sheet;
- NDR cash received at the year end had been accounted for against the Borough Council's share of NDR arrears, instead of being split in the appropriate proportions with the County Council and Central Government. This required a movement between short term debtors and creditors;
- A reduction in the revaluation reserve to reflect the use of assets over their economic life was missed and needed correction. As the other entry is in the Capital Adjustment Account, and both are shown on the Balance Sheet in Unusable Reserves, there was no impact on the Balance Sheet.

4.4 In addition, some presentational changes were made to the disclosure notes relating to property, plant and equipment and leases. The amended statements are attached as Appendix A.

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 2015/16 impacts upon future years. The General Fund balance totals £4,083,936 at 31 March 2016, whilst the Housing Revenue Account amounts to £2,788,959. These figures are unchanged from those reported in June.

5.1.2 Significant pressures for increased costs in future years continue. Although the Council has a number of additional reserves, these are earmarked for particular purposes. Savings will still be needed in the General Fund in order to preserve the level of general balances, whilst at the same time maintaining the quality of services and coping with additional responsibilities.

5.1.3 The level of balances on the Housing Revenue Account has continued to improve. However some of this improvement is to compensate for the loss of future rental income, following the increased sale of council houses due to changes in the Right to Buy regulations.

5.2 Environment and Sustainability Implications

5.2.1 The Council has remained within its overall budgets for the 2015/16 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 financial 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	Financial Statements 2015/16	June 2016
Executive Board	Sue Garner	General Fund Budget and Setting the Council Tax 2015/16	February 2015
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2015/16	January 2015

APPENDIX A .

NORTH WARWICKSHIRE BOROUGH COUNCIL

FINANCIAL STATEMENTS 2015/16

We would welcome any comments or suggestions you have about this publication. Please contact Sue Garner, Assistant Director (Finance and Human Resources).

- Phone: 01827 719374
- Fax: 01827 719412
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Deputy Chief Executive's 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 it's 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 **62,500,** with White British the major ethnic group
- **£41 million** of business rates are collected annually - only £2 million of this is kept by the Council
- Council tax of **£32 million** is collected annually - only £4.1 million of this is kept by the Council
- We have **31** play areas and **24** sports pitches
- A current recycling rate of **47.58%**
- We dealt with **908** planning applications in 2015/16
- We manage and maintain **2,700** council houses
- We issued **879** licences
- There are **71** industrial units available for small businesses
- We run **3** leisure centres and **1** swimming pool
- Refuse is collected from **27,100** domestic properties and **497** trade properties

2. Council Performance

North Warwickshire has 17 wards, with the Council consisting of 35 Councillors who represent those wards. Following elections in May 2015, there was a change in political control of the Council, from Labour to Conservative. The new Council agreed a Vision Statement in September 2015:

'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 revised corporate plan for 2015/16 to take those priorities forward. Some actions taken during the year are set out below:

Responsible Financial & Resources Management
- Savings of £516,380 were taken out of the budget prepared for 2016/17, in line with the financial strategy
- Increased work around the collection of council tax, council house rents and the recovery of housing benefit overpayments
- A review of leisure facility provision was commissioned

Creating Safer Communities

- Promoted the safeguarding of children, young people and adults
- Took action to address anti-social and nuisance behaviour

Protecting Our Countryside and Heritage

- Sought maximum mitigation for those affected by HS2, whilst continuing to oppose the scheme in principle
- Continued to take action to reduce the Council's carbon footprint and carbon emission in the Borough

Improving Leisure and Wellbeing Opportunities

- Promotion of healthy lifestyles and physical activity, using programmes such as the Family Weight Management Programme
- Big Day Out events held at Royal Meadow Drive and Snowhill Recreation Ground
- Worked with Hurley Kings FC to improve Hurley Daw Mill Sports Ground

Promoting Sustainable and Vibrant Communities

- Bid successfully for new affordable homes in Polesworth and Grendon
- Continued to promote and develop affordable housing in the Borough
- Progressed the shared service to deliver housing adaptations in the private sector

Supporting Employment and Business

- Encouraged new active rural businesses to take advantage of funding available through the new LEADER programme
- Improved broadband access for both residents and businesses through the roll out of the Broadband UK Project

What's next?

- The identification of savings of £730,000 for inclusion within the 2017/18 budget
- To implement agreed charges for the Borough Care service
- To work in partnership with the County Council and other agencies on a review of car parking in the Borough, to include on and off street car parking
- To work with public, voluntary and business partners to deliver on-going food related projects to support individuals and community organisations
- To review the effectiveness of CCTV in the Borough
- 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 have just joined the West Midlands Combined Authority as a non-constituent member.
- To complete the strategic review of the Council's leisure facilties
- To complete the new build schemes for affordable housing.

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. Although there were small dips in a few service areas, the survey in 2015/16 showed 83% satisfaction with the service provided by the Council and the overall quality of homes.

The Council operates a complaints and compliments process. During 2015/16, 73 complaints and 79 compliments were received. This compared to 54 complaints and 53 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 2015/16

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 £9.029 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	5,042	5,160
Executive Services	585	570
Planning & Development	312	239
Licensing	(2)	(15)
Resources	2,831	2,561
Contingencies	59	4
Revenue spending on Capital Projects	119	119
Payments to Parish Councils	83	83
Total Spending	**9,029**	**8,721**

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 2015/16, continuing to leave it at 2011/12 levels.

	Expected Funding £000	Actual Funding £000
Council Tax	4,190	4,190
Revenue Support Grant	1,402	1,402
Special Grant	45	46
New Homes Bonus	704	709
Business Rates	1,994	1,996
Interest on Balances	100	173
Use of Balances	594	205
Total Funding	**9,029**	**8,721**

The main changes from the planned budget relate to:

- Reduced staffing costs. In addition to savings arising from the normal turnover of staff, we review all vacancies as they arise and have kept some posts vacant whilst we carry out service reviews
- Increased costs from recycling activities. Haulage costs rose and there was a fall in the price of paper and card income receivable by the Council. There was also an increase in the cost of replacement bins and bins supplied to new developments
- Reduced costs as more housing benefit overpayments were successfully recovered and
- Additional cash flow in the year enabled more investment income to be generated.

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	1,894	1,918
Repair Services	3,112	3,054
Cost of Borrowing	2,924	2,924
Capital spending on properties	4,217	3,498
Provision for Bad Debts	178	9
Income set aside in general balances for future spending	40	810
Income set aside in earmarked reserves for future spending	-	38
Total Spending	**12,365**	**12,251**

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	12,229	12,121
Service charges	93	87
Interest on Balances	43	43
Total Funding	**12,365**	**12,251**

The main changes from the planned budget relate to:

- A reduction in planned capital spending to reflect the latest stock conditions survey
- The government have allowed the Council to retain some of the receipts from the sale of additional council houses. These can be used to fund capital spending, so there is a lower requirement to fund capital spending from revenue
- There has been a reduction in rental income due to higher than expected sales of council houses and a higher level of void properties
- Good rent collection levels have meant a lower contribution is needed to the bad debt provision.

Revenue Reserves

At the end of the year our total revenue reserves amounted to £20.138 million. These are shown below:

	General Fund £000	HRA £000
General balances – held for unexpected future events	4,084	2,789
Capital reserves – held for spending on assets with a lasting value	1,223	4,509
Earmarked reserves –held for specific purposes or activities	4,645	2,904
Total	**9,952**	**10,202**

Capital Spending

Alongside our day to day costs we spend money on assets such as buildings, vehicles, and 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 2015/16 capital programme shown below includes schemes from 2014/15 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 2016/17.

	Capital Programme £000	Spending in 2015/16 £000	2015/16 Commitments to Be Paid in 2016/17 £000
Council Housing – existing stock	6,895	3,324	2,564
Council Housing – new build	2,036	1,077	942
General Fund buildings	488	78	5
General Fund play areas and recreation grounds	570	552	18
General Fund vehicles	1,748	1,814	-
General Fund - IT and equipment	318	243	15
Private sector housing	701	374	-
Total Spending	**12,756**	**7,462**	**3,544**

Funding for capital spending that we received in the year included receipts from the sale of 'Right to Buy' council housing, government grants towards private sector disabled facility adaptations, grant from Sport England and contributions from some partners for specific schemes.

We used some of this to fund the spending in 2015/16. The remaining funding used in 2015/16 came from reserves earmarked for capital, revenue funding and borrowing.

Collection Fund

We collect business rates of £41.1 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 £5.685 million. At the 31 March 2016 we had 300 appeals outstanding.

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 decreased by £7.045 million in the year.

The pension fund is valued fully every three years. The last full valuation took place as at March 2013 and showed that the pension fund was 77% funded. Our contribution rate is being increased gradually, with the long term aim of achieving a 100% funding level. A further full valuation is currently taking place as at March 2016, 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 2015	31 March 2016
Non current assets	118,950	143,737
Net current assets – debtors, stock and cash less short term liabilities	9,089	9,202
Long term liabilities and provisions	(88,806)	(80,450)
Net assets	**39,233**	**72,489**
Represented by: Useable reserves	23,711	25,778
Represented by: Unusable reserves	15,522	46,711

Financial Challenges in 2016/17

The Medium Term Financial Strategy was updated during the year. The four year Funding Settlement announced in December 2015 has been used to update the expected level of funding from central government. Savings targets within the Strategy were also updated to reflect expected funding and spending pressures. The reductions needed for 2016/17 were found before the year started, and included with the approved budget. The latest version of the Strategy requires further savings of £1.73 million over the following three years, with a target of £0.73 million to be found in 2016/17 ready for inclusion within the 2017/18 budget.

The latest revision of the HRA Business Plan anticipates a surplus of £45 million at the end of the 30 years, after capital spending on existing properties and new build of £166 million. However the Plan does not include payments that will need to be made to central government to reimburse housing associations for Right to Buy sales of their stock. Nor does it include payments to central government of rent that will need to be collected from tenants whose household earns above a given threshold. We are still waiting for details of the payments that will be required but anticipate they will have a major impact on our current Business Plan.

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 desirable 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 475 people in full time and part time contracts. The make-up of our people is shown below:

Gender: Male 42%, Female 58%
Ethnicity: White 57%, Unknown 43%
Age: 24 and under 10%, 25-34 12%, 35-49 37%, 50-65 37%, 65 and over 4%
Declared Disability: Yes 1%, No 28%, Unknown 71%

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 risk register are shown below:

Strategic

Risk	Impact	Mitigation
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
Health & Safety is not managed effectively	Injury to members of the public and staff	Regular risk assessments and safety audits. Trained staff and monitoring through a corporate working party
The instability of the Business Rates system	Impact on the Council's ability to run services, leading to amended or reduced services	Contingency held which can be used to offset short term losses. Regular monitoring and forecasting
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 petitioning authority

Risk	Impact	Mitigation
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. Temporary staff cover in place until new arrangements to provide more capacity and resilience are implemented
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. Material quality kept high through monitoring and good housekeeping. Latest material contracts have maximum gate fees and profit share element. Use of partnerships and joint procurement of contracts, which are regularly reviewed.
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. The public lose confidence in the PCC and Policing. 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.
Failure to maintain Council assets	Buildings not fit for purpose and in disrepair. Non-compliance with health and safety issues.	Some repairs on a rolling programme. Annual risk assessments and testing. Annual gap analysis carried out for both revenue and capital. Portfolio under review, to assess benefits of retention or disposal.

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 2016. 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 2015/16, 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 service area – this is a standard analysis provided by CIPFA so that local authority accounts and spending can be compared. 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 'useable', which can be invested in capital projects or service improvements, and 'unuseable' 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 **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 .

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

C J Brewer CPFA
Deputy Chief Executive, North Warwickshire Borough Council

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 Deputy Chief Executive.

2) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

3) Approve the Statement of Accounts.

The Deputy Chief Executive's Responsibilities

The Deputy Chief Executive 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 Deputy Chief Executive 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 Deputy Chief Executive 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

In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2015/16 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 2016.

All known material events that have occurred up to and including this date, which relate to 2015/16 or before have been reflected in the accounts.

Signed: ....   Date: ....

C J Brewer CPFA, Deputy Chief Executive

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 surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants / Conts Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Council Reserves £000**
Balance at 1 April 2014	**4,336**	**4,996**	**1,391**	**3,705**	**4,531**	**1,621**	**6**	**20,586**	**27,025**	**47,611**
Movement in reserves during 2014/15										
(Deficit) / surplus on the provision of services	(125)	-	3,746	-	-	-	-	**3,621**	(263)	**3,358**
Other Comprehensive Income and Expenditure	(6,754)	-	(7,685)	-	-	-	-	**(14,439)**	2,703	**(11,736)**
Total Comprehensive Income and Expenditure	**(6,879)**	**-**	**(3,939)**	**-**	**-**	**-**		**(10,818)**	**2,440**	**(8,378)**
Adjustments between accounting basis and funding basis under regulations (note 5)	9,447	-	7,275	-	128	(85)	-	**16,765**	(16,765)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**2,568**	**-**	**3,336**	**-**	**128**	**(85)**	**-**	**5,947**	**(14,325)**	**(8,378)**
Transfers to/from Earmarked Reserves (note 6)	(2,615)	550	(2,748)	1,957	31	-	3	(2,822)	2,822	-
Increase/(Decrease) in 2014/15	**(47)**	**550**	**588**	**1,957**	**159**	**(85)**	**3**	**3,125**	**(11,503)**	**(8,378)**
Balance at 31 March 2015 carried forward	**4,289**	**5,546**	**1,979**	**5,662**	**4,690**	**1,536**	**9**	**23,711**	**15,522**	**39,233**
Movement in reserves during 2015/16										
(Deficit) / Surplus on the provision of services	(2,430)	-	2,825	-	-	-	-	**395**	-	**395**
Other Comprehensive Income and Expenditure	8,732	-	20,374	-	-	-	-	**29,106**	3,392	**32,498**
Total Comprehensive Income and Expenditure	**6,302**	**-**	**23,199**	**-**	**-**	**-**	**-**	**29,501**	**3,392**	**32,893**
Adjustments between accounting basis and funding basis under regulations (note 5)	(5,068)	-	(20,565)	-	928	-	(3)	**(24,708)**	24,708	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,234**	**-**	**2,634**	**-**	**928**	**-**	**(3)**	**4,793**	**28,100**	**32,893**
Transfers to/from Earmarked Reserves (note 6)	(1,439)	322	(1,824)	215	-	-	-	(2,726)	2,726	-
(Decrease)/ Increase in Year	**(205)**	**322**	**810**	**215**	**928**	**-**	**(3)**	**2,067**	**30,826**	**32,893**
Balance at 31 March 2016 carried forward	**4,084**	**5,868**	**2,789**	**5,877**	**5,618**	**1,536**	**6**	**25,778**	**46,348**	**72,126**

North Warwickshire Borough Council

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2016

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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15	2014/15	2014/15		2015/16	2015/16	2015/16
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
1,086	(509)	577	Central Services to the Public	1,149	(511)	638
3,877	(2,787)	1,090	Cultural and Related Services	4,120	(1,923)	2,197
4,319	(1,058)	3,261	Environmental and Regulatory Services	4,782	(1,241)	3,541
1,472	(1,079)	393	Planning Services	2,035	(1,490)	545
103	(17)	86	Highways and Transport Services	107	(61)	46
18,105	(21,395)	(3,290)	Local Council Housing	18,185	(20,643)	(2,458)
9,323	(8,529)	794	Other Housing Services	9,168	(8,336)	832
1,267	(161)	1,106	Corporate and Democratic Core	1,250	(164)	1,086
36	(15)	21	Non-Distributed Costs	9	-	9
1,555	(1,537)	18	Other Services (*)	1,451	(1,555)	(104)
41,143	**(37,087)**	**4,056**	**COST OF SERVICES**	**42,256**	**(35,924)**	**6,332**
1,252	(463)	789	Other Operating expenditure (Note 7)	1,293	(313)	980
3,593	(3,065)	528	Financing and investment income and expenditure (Note 8)	3,259	(2,809)	450
811	(9,805)	(8,994)	Taxation and non-specific grant income (Note 9)	1,465	(9,622)	(8,157)
46,799	**(50,420)**	**(3,621)**	**Deficit /(Surplus) on Provision of Services**	**48,273**	**(48,668)**	**(395)**
7,685	-	7,685	Surplus or Deficit on revaluation of Property, Plant and Equipment	-	(20,374)	(20,374)
22	-	22	Impairment losses on non-current assets charged to the Revaluation Reserve	-	-	-
6,732	-	6,732	Actuarial gains/losses on pension assets / liabilities	-	(8,732)	(8,732)
14,439	**-**	**14,439**	**Other Comprehensive Income and Expenditure**	**-**	**(29,106)**	**(29,106)**
61,238	**(50,420)**	**10,818**	**Total Comprehensive Income and Expenditure**	**48,273**	**(77,774)**	**(29,501)**

(*) includes spending on North Talk, Compensation and Pension increases, Consultation, Corporate Policy, Contact Centre, Stronger and Safer Communities, Broadband UK and income from New Homes Bonus.

North Warwickshire Borough Council

Balance Sheet as at 31 March 2016

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 resources 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 is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £000		Note	31 March 2016 £000
110,194	Property, Plant and Equipment	10	134,744
535	Heritage Assets	11	574
6,894	Investment Property	12	7,046
181	Intangible Assets	13	238
146	Assets Held on Leases	37	135
1,000	Long Term Receivables	14	1,000
118,950	**LONG TERM ASSETS**		**143,737**
11,031	Short Term Investments	14/41	14,039
665	Assets held for Sale	19	812
61	Inventories	15	70
3,108	Short Term Receivables	14/17	4,374
2,073	Cash and Cash Equivalents	18	1,359
16,938	**CURRENT ASSETS**		**20,654**
(1,603)	Provisions	21	(2,274)
(6,246)	Short Term Payables	14/20	(9,541)
(7,849)	**CURRENT LIABILITIES**		**(11,815)**
(56,289)	Long Term PWLB Loans	41	(54,989)
(146)	Other Long Term Liabilities (leases)	37	(135)
(32,371)	Pension Fund Liabilities	40	(25,326)
(88,806)	**LONG TERM LIABILITIES**		**(80,450)**
39,233	**NET ASSETS**		**72,126**
23,711	Usable Reserves	22	25,778
15,522	Unusable Reserves	23	46,348
39,233	**TOTAL RESERVES**		**72,126**

Signed ______________________ Date ____________

C J Brewer CPFA, Deputy Chief Executive

North Warwickshire Borough Council

Cash Flow Statement for the Year Ended 31 March 2016

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.

2014/15 £000		2015/16 £000
(3,621)	Net deficit or (surplus) on the provision of services	(395)
3,614	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24)	154
(3,408)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	(4,310)
(3,415)	Net cash flows from Operating Activities (Note 24)	(4,551)
2,510	Investing Activities (Note 25)	3,557
3,257	Financing Activities (Note 26)	1,708
2,352	Net Increase or decrease in cash and cash equivalents	714
(4,425)	Cash and Cash Equivalents at the beginning of the reporting year	(2,073)
(2,073)	**Cash and Cash Equivalents at the end of the reporting year (Note 18)**	**(1,359)**

NOTES TO THE FINANCIAL STATEMENTS

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

For 2015/16 the following accounting policy changes that need to be reported relate to:

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 standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

- Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property, Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Financial Statements.

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 64 - 77, we have had to make certain judgements about complex transactions or those involving uncertainty about future events.

We launched a Local Authority Mortgage Scheme with Lloyds Bank in February 2013, which required a payment of £1 million to Lloyds Bank. Under the scheme first time buyers wishing to buy a property in North Warwickshire only need a 5% deposit to buy their first home, with the Council guaranteeing a further 20% for a five year period. We consider the expenditure we made on the scheme to be capital, and accounted for it as such, as it is being used to enable Lloyds Bank to give larger mortgages to applicants than they would otherwise have done.

There is another view on the interpretation of the regulations governing the accounting treatment being used for the Local Authority Mortgage Scheme. As we will get our money back, unless there are defaults on the mortgages given, an alternative approach could be to treat the expenditure as an investment. This approach would require the long term debtor shown in the accounts to be reclassified as a long term investment. We have obtained legal advice on the accounting treatment we have used which supports the treatment of the payment as capital. As with any legislation, there is a risk that current rules and regulations could be changed in a court of law. We have not applied a fair valuation to the long term debtor shown in the statements, as we have followed the detailed accounting advice we have received regarding the Local Authority Mortgage Scheme.

There is a degree of uncertainty about future levels of funding for local government. However, we have a medium term financial strategy in place which will 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 2016 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.	If the useful life of assets is reduced depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by around £65,000 for every year that useful lives had to be reduced.
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.	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 £17.834 million. However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pension's liability had decreased by £8.362 million attributable to updating the assumptions.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears – Sundry Receivables	At 31 March 2016, we had a balance of sundry receivables of £170,738. A review of significant balances suggested that an impairment of doubtful debts of 26.68% (£45,559) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the doubtful debts would require an additional £45,559 to set aside as an allowance.
Arrears – Council Tax	At 31 March 2016, we had a balance of Council Tax arrears of £1,194,707 of which £183,468 is our share. An impairment of doubtful debts of 30.84% (£56,581) based on a sliding scale based on age was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the doubtful debts would require an additional £56,581 to set aside as an allowance.
Arrears – NNDR	At 31 March 2016, we had a balance of NNDR arrears of £327,202 of which £130,881 is our share. An impairment of doubtful debts of 28.4% (£37,178) based on a sliding scale based on age was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the doubtful debts would require an additional £37,178 to set aside as an allowance.
Provisions – NDR Appeals	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013. Local Authorities are liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing an estimate of total provision up to and including 31 March 2016. The Council's share of the balance of business rate appeals provisions at this date amounted to £2.274m this has increased by £0.672m from the previous year.	If successful appeals increased by 10%, this would require an additional £568,559. This Council's share would be £227,423 to be set aside as a provision.

4. Material Items of Income and Expense

In overall terms the Council's housing stock increased in value during the year. Revaluation gains of £20.444 million went to the Housing Revenue Account. There were also some small gains on other properties across the Borough, of £0.098 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 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 into 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.

2015/16	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	Usable Reserves					
	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources						
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:	-	20,374	-	-	-	(20,374)
Pension costs (transferred to (or from) the Pensions Reserve	7,202	(157)	-	-	-	(7,045)
Council tax and NDR (transfers to or from the collection Fund	(806)	-	-	-	-	806
Holiday pay (transferred to the Accumulated Absences Account)	(4)	(4)	-	-	-	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)	(1,393)	(1,283)	-	-	3	2,673
Total Adjustments to Revenue Resources	**4,999**	**18,930**	**-**	**-**	**3**	**(23,932)**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	1,651	(1,651)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(16)	16	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(327)	-	327	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(1,982)	-	1,982
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	269	-	-	-	-	(269)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	127	-	-	-	-	(127)
Total Adjustments between Revenue and Capital Resources	**69**	**1,635**	**(1,308)**	**(1,982)**	**-**	**1,586**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	380	-	-	(380)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	1,982	-	(1,982)
Total Adjustments to Capital Resources	**-**	**-**	**380**	**1,982**	**-**	**(2,362)**
Total Adjustments	**5,068**	**20,565**	**(928)**	**-**	**3**	**(24,708)**

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	Usable Reserves					
	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources						
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:	-	(7,707)	-	-	-	7,707
Pension costs (transferred to (or from) the Pensions Reserve	(7,989)	(64)	-	-	-	8,053
Council tax and NDR (transfers to or from the collection Fund	(468)	-	-	-	-	468
Holiday pay (transferred to the Accumulated Absences Account)	15	1	-	-	-	(16)
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)	(1,166)	(923)	-	-	-	2,089
Total Adjustments to Revenue Resources	**(9,608)**	**(8,693)**	**-**	**-**	**-**	**18,301**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	1,434	(1,434)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(16)	16	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(286)	-	286	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(1,630)	-	1,630
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	328	-	-	-	-	(328)
Capital expenditure financed from revenue balances (transfer to the - Capital Adjustment Account)	119	-	-	-	-	(119)
Total Adjustments between Revenue and Capital Resources	**161**	**1,418**	**(1,132)**	**(1,630)**	**-**	**1,183**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,005	-	-	(1,005)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	1,715	-	(1,715)
Cash payments in relation to deferred capital receipts	-	-	(1)	-	-	1
Total Adjustments to Capital Resources	**-**	**-**	**1,004**	**1,715**	**-**	**(2,719)**
Total Adjustments	**(9,447)**	**(7,275)**	**(128)**	**85**	**-**	**16,765**

6. Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Balance at 1 April 2014	Transfers Out 2014/15	Transfers in 2014/15	**Balance at 31 March 2015**	Transfers Out 2015/16	Transfers in 2015/16	**Balance at 31 March 2016**
	£000	£000	£000	**£000**	£000	£000	**£000**
General Fund							
External funding received towards the provision of council services	**594**	(135)	306	**765**	(83)	116	**798**
One off funding set aside to progress specific council priorities	**216**	(46)	-	**170**	(73)	-	**97**
Contingency funding set aside to cover potential risks on areas such as VAT recovery and business rates	**428**	-	973	**1,401**	-	551	**1,952**
Other reserves held for revenue purposes to cover timing issues on spending	**2,368**	(585)	245	**2,028**	(406)	176	**1,798**
Reserves Held for Capital Spending	**1,390**	(2,243)	2,035	**1,182**	(614)	655	**1,223**
Total General Fund Reserves	**4,996**	**(3,009)**	**3,559**	**5,546**	**(1,176)**	**1,498**	**5,868**
HRA							
Housing Act Advances	**5**	-	-	**5**	(5)	-	**-**
Housing Repairs Reserve	**72**	(2,919)	3,184	**337**	(2,961)	3,135	**511**
Reserves held for Capital spending	**3,628**	(2,377)	4,069	**5,320**	(4,346)	4,392	**5,366**
Total HRA Reserves	**3,705**	**(5,296)**	**7,253**	**5,662**	**(7,312)**	**7,527**	**5,877**
Total Earmarked Reserves	**8,701**	**(8,305)**	**10,812**	**11,208**	**(8,488)**	**9,025**	**11,745**

7. Other Operating Expenditure

2014/15 £000		2015/16 £000
869	Parish council precepts	882
97	Grant to Parishes towards a loss of precept	82
286	Payments to the Government Housing Capital Receipts Pool	327
(463)	Gains on the disposal of non-current assets	(311)
789	**Total**	**980**

8. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
44	Interest payable and similar charges	46
1,050	Pensions interest and expected return on pension assets	1,046
(125)	Interest receivable and similar income	(173)
(441)	Income and expenditure in relation to investment properties and changes in their fair value	(469)
528	**Total**	**450**

9. Taxation and Non-specific Grant Income

2014/15 £000		2015/16 £000
(5,001)	Council tax income **	(5,068)
(273)	Non Domestic rates – Collection Fund adjustments	103
(1,711)	Non Domestic rates	(1,744)
(2,009)	Non-ring fenced government grants *	(1,448)
(8,994)	**Total**	**(8,157)**

* Non-ring fenced government grants are shown individually in note 34.

** Council Tax income includes £109,040 contribution from the collection fund in 2015/16 (a contribution of £139,260 was included in 2014/15). The Council's share of the residual balance of £3,588 is detailed in note 23 on the collection fund adjustment account. This will be adjusted in 2016/17 (£15,146 adjustment in 2015/16).

10. Property, Plant and Equipment

Movements in balances in 2015/16:

	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**
Cost or Valuation								
As at 1 April 2015	**65,333**	**44,659**	**4,444**	**103**	**124**	**79**	**-**	**114,742**
Additions	3,125	84	2,161	-	-	1,077	-	**6,447**
Donations	-	-	-	-	-	-	16	**16**
Revaluations increases recognised in the Revaluation Reserve	680	457	-	-	-	-	-	**1,137**
Revaluations increases/decreases recognised in the Surplus / Deficit on the Provision of Services	13,266	5,923	-	-	-	-	-	**19,189**
De-recognition – disposals	(941)	(391)	(208)	(15)	-	-	-	**(1,555)**
Other movements in Cost or Valuation	193	31	-	-	-	(223)	50	**51**
As at 31 March 2016	**81,656**	**50,763**	**6,397**	**88**	**124**	**933**	**66**	**140,027**
Accumulated Depreciation and Impairment								
As at 1 April 2015	**(1,608)**	**(550)**	**(2,373)**	**(18)**	**-**	**-**	**-**	**(4,549)**
Depreciation charge	(1,896)	(586)	(513)	(3)	-	-	-	**(2,998)**
Impairment loss reversal recognised in the Revaluation Reserve	226	425	-	-	-	-	-	**651**
Impairment loss reversal recognised in the Surplus / Deficit on the Provision of Services	1,282	106	-	-	-	-	-	**1,388**
De-recognition – disposals	11	-	208	6	-	-	-	**225**
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**
At 31 March 2016	**(1,985)**	**(605)**	**(2,678)**	**(15)**	**-**	**-**	**-**	**(5,283)**
Net Book Value								
At 31 March 2016	**79,671**	**50,158**	**3,719**	**73**	**124**	**933**	**66**	**134,744**
At 31 March 2015	**63,725**	**44,109**	**2,071**	**85**	**124**	**79**	**-**	**110,193**

Comparative movements in balances in 2014/15:

	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**
Cost or Valuation								
As at 1 April 2014	**70,245**	**41,319**	**4,731**	**103**	**124**	**1,348**	**-**	**117,870**
Additions	868	632	465	-	-	4,892	-	**6,857**
Revaluations increases recognised in the Revaluation Reserve	207	552	-	-	-	-	-	**759**
Revaluations increases/ decreases recognised in the Surplus / Deficit on the Provision of services	(6,897)	(2,133)	-	-	-	-	-	**(9,030)**
De-recognition – disposals	(675)	(288)	(752)	-	-	-	-	**(1,715)**
Other movements in Cost or Valuation	1,585	4,577	-	-	-	(6,161)	-	**1**
As at 31 March 2015	**65,333**	**44,659**	**4,444**	**103**	**124**	**79**	**-**	**114,742**
Accumulated Depreciation and Impairment								
As at 1 April 2014	**(1,666)**	**(521)**	**(2,653)**	**(14)**	**-**	**-**	**-**	**(4,854)**
Depreciation charge	(1,519)	(536)	(459)	(4)	-	-	-	**(2,518)**
Impairment loss reversal recognised in the Revaluation Reserve	192	340	-	-	-	-	-	**532**
Impairment loss reversal recognised in the Surplus / Deficit on the Provision of Services	1,376	167	-	-	-	-	-	**1,543**
De-recognition - disposals	9	-	739	-	-	-	-	**748**
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**
As at 31 March 2015	**(1,608)**	**(550)**	**(2,373)**	**(18)**	**-**	**-**	**-**	**(4,549)**
Net Book Value								
As at 31 March 2015	**63,725**	**44,109**	**2,071**	**85**	**124**	**79**	**-**	**110,193**
As at 31 March 2014	**68,579**	**40,798**	**2,078**	**89**	**124**	**1,348**	**-**	**113,016**

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 31st March 2016 the capital commitments outstanding totalled approximately £3.5m. £0.8m relates to a central heating programme, £0.6m is for external wall insulation, £0.9m is for a replacement roof programme and a further £0.9m relates to this Authority's New Build programme. Finally £0.2m is committed towards a multi trade contract and the remaining £0.1m is made up of other smaller commitments.

Revaluations

We carry out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Council's internal valuer, 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 fair values are:

- An adjustment factor of 34% 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.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	82,744	57,074	6,489	107	**146,414**
Valued at fair value as at:					
31 March 2016	6,585	(1,958)	(1,196)	(706)	**2,725**
31 March 2015	(5,498)	2,522	(287)	665	**(2,598)**
31 March 2014	5,855	1,000	1,211	-	**8,066**
31 March 2013	(3,779)	(4,822)	79	-	**(8,522)**
31 March 2012	(4,351)	(3,053)	101	-	**(7,303)**
Total Cost or Valuation	**81,556**	**50,763**	**6,397**	**66**	**138,782**

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 2015/16. 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	31/03/2062	31/03/2063	(32)
Garages	31/03/2032	31/03/2033	(3)
Total			**(35)**

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 Lady Mayoress 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.

2014/15 £000	Civic Regalia	2015/16 £000
	Cost or Valuation	
515	**Balance as at 1 April**	**535**
20	Revaluations	39
535	**Balance as at 31 March**	**574**

Five-Year Summary of Transactions

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Civic Regalia	699	703	515	535	574

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:

2014/15 £000		2015/16 £000
(461)	Rental income from investment property	(465)
167	Direct operating expenses arising from investment property	197
(147)	Change in fair value of investment property	(201)
(441)	**Net gain**	**(469)**

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:

2014/15 £000		2015/16 £000
6,748	**Balance at start of the year**	**6,894**
-	Transfers out of group	(50)
146	Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement	202
6,894	**Balance at the end of the year**	**7,046**

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.

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 £74,251 charged to revenue in 2015/16 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:

	2014/15	2015/16
	Software Licences £000	**Software Licences £000**
Balance at start of year		
Gross carrying amounts	2,165	1,643
Accumulated amortisation	(1,884)	(1,462)
Net carrying amount at start of year	**281**	**181**
Additions:		
Expenditure in the year	29	131
Amortisation for the year	(115)	(74)
Net Disposals in the year	(14)	0
Net carrying amount at end of year	**181**	**238**
Comprising:		
▪ Gross carrying amounts	1,643	1,774
▪ Accumulated amortisation	(1,462)	(1,536)
Net carrying amount at end of year	**181**	**238**

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

- Contact Centre. The software purchased specifically by NWBC for its own service integration cost £188,345 between 2003/04 and 2007/08 and is being amortised over a period of between 5 and 8 years,

- EDRMS. The software cost £308,304 from 2005/06 to 2008/09 and is being amortised over a period of between 8 and 10 years,

- Total FMS. The software cost £164,154 in 2004/05 and 2005/06 with an upgrade costing £7,064 taking place during 2011/12. The upgraded software is being amortised over a revised 11 year life,

- GIS enhancements. The software cost £129,040 in 2005/06 and 2006/07. The cost being amortised until 2015/16,

- Planning System (SX3). The software cost £137,563 in 2005/06 and 2006/07. The cost being amortised until 2015/16,

- Housing Rents System. The software cost £77,138 in 2004/05 and 2005/06. The cost is being amortised over the 10 year life of the licence,

- Housing Direct Works. The software cost £84,154 from 2002/03 to 2004/05 and is now being amortised over a 12 year life,

- Housing Management and Repairs System (IBS). The software cost £69,245 in 2007/08 and is being amortised over the 10 year life of the licence.

- Microsoft Licence. The software cost £93,619 in 2008/09, 2009/10 and 2010/11. The final two modules are being amortised over a revised 5 year life,
- Web Development. The software was purchased between 2005/06 and 2007/08 costing £133,564 and is being written off over a period of between 5 and 9 years.
- Payment Management System (PMS). This was purchased during 2012/13 costing £78,583 and will be written off over a period of 10 years.

14. Financial Instruments

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

	Long-Term		Current	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Investments				
Loans and Receivables			7,031	8,539
Available for Sale financial assets	-	-	4,000	5,500
Total Investments	**-**	**-**	**11,031**	**14,039**
Receivables				
Loans and Receivables	1,000	1,000	3,108	4,374
Total included in Receivables	**1,000**	**1,000**	**3,108**	**4,374**
Borrowings				
Financial liabilities at amortised costs (*)	56,289	54,989	-	-
Total include in borrowings	**56,289**	**54,989**	**-**	**-**
Other Long term Liabilities				
Finance leases	146	135	-	-
Total other long term liabilities	**146**	**135**	**-**	**-**
Payables				
Financial liabilities at amortised cost	-	-	6,246	9,541
Total Payables	**-**	**-**	**6,246**	**9,541**

(*) Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year.

➢ Loans below Market Rates

During 2015/16 the Council granted Decent Homes Standard loans to 3 private owner occupiers totalling £2,535 and Disabled Facilities loans to 19 private owner occupiers totalling £68,242. 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.

➢ Fair Values of Assets and Liabilities

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 2016,
- No early repayment or impairment is recognised in the accounts,
- Certificates of Deposits are valued at Market Bid prices at 31st March 2016.

The fair values are calculated as follows:

31 March 2015 Carrying Amount on Balance Sheet £000	31 March 2015 Fair Value Calculation £000		31 March 2016 Carrying Amount on Balance Sheet £000	31 March 2016 Fair Value Calculation £000
56,289	65,104	PWLB Debt	54,989	64,055
56,289	**65,104**	**Total Borrowings**	**54,989**	**64,055**
7,031	7,031	Money Market Funds < 1 yr	8,539	8,539
2,000	2,010	Enhanced Money Market Funds	2,000	2,001
2,000	2,000	Certificates of Deposits	3,500	3,509
11,031	**11,041**	**Total Investments**	**14,039**	**14,049**

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 2016. This increases the fair value of the borrowings held, which have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest.

Investments: The Net Present Value approach has been used, which provides an estimate of the value of payments in the future in today's terms. The discount factor used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender.

15. Inventories

	Consumable Stores	**Consumable Stores**	**Maintenance Materials**	**Maintenance Materials**	**Client services Work in Progress**	**Client services Work in Progress**	**Total**	**Total**
	2014/15	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at start of year	**44**	**28**	**47**	**33**	**1**	**-**	**92**	**61**
Purchases	388	383	392	352	-	-	780	735
Recognised as an expense in the year	(404)	(370)	(406)	(356)	(1)	-	(811)	(726)
Balance at year end	**28**	**41**	**33**	**29**	**-**	**-**	**61**	**70**

16. Construction Contracts

At 31 March 2016 we had one construction contract in progress which was for the construction of new build properties at Lister Road, Atherstone. As at 31 March 2016 there was still £1.737m outstanding on this contract.

17. Short Term Receivables

31 March 2015 £000		31 March 2016 £000
1,559	Central Government Bodies	2,770
699	Other Local Authorities	787
2	NHS Bodies	-
848	Other Entities and Individuals	817
3,108	**TOTAL**	**4,374**

18. Cash and Cash Equivalents

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

31 March 2015 £000		31 March 2016 £000
2	Cash held by the Council	2
2,071	Bank current accounts	1,357
2,073	**Total Cash and Cash Equivalents**	**1,359**

19. Assets Held for Sale

The only asset held for sale at 31 March 2016 was the old Coleshill Leisure Centre site at Park Road, Coleshill. This site was valued at £812,000.

20. Short Term Payables

31 March 2015 £000		31 March 2016 £000
2,852	Central Government Bodies	3,637
1,185	Other Local Authorities	1,499
2,209	Other entities and individuals	4,405
6,246	**TOTAL**	**9,541**

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 £2.520 million has been set aside in the Collection Fund at 31 March 2016 (£3.279 million at 31 March 2015), to cover possible refunds. Of the £4.007 million set aside at 31 March 2015 we have settled claims of £0.841 million from that sum. Our share of the additional provision is £1.008 million (40%) (£1.312 million at 31 March 2015), with the remaining 60% falling to central government and Warwickshire County Council.

22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 5 and 6.

23. Unusable Reserves

31 March 2015 £000		31 March 2016 £000
(5,433)	Revaluation Reserve	(6,763)
(43,406)	Capital Adjustment Account	(66,671)
32,371	Pensions Reserve	25,326
(124)	Collection Fund Adjustment Account - CT	(121)
937	Collection Fund Adjustment Account - NDR	1,740
133	Accumulated Absences Account	141
(15,522)	**Total Unusable Reserves**	**(46,348)**

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.

2014/15 £000		2015/16 £000
(4,008)	**Balance at 1 April**	**(5,433)**
(1,454)	Upward revaluation of assets	(2,101)
22	Difference between fair value depreciation and historical cost depreciation	-
7	Amount written off to the Capital Adjustment Account	771
(5,433)	**Balance at 31 March**	**(6,763)**

Capital Adjustment Account

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

2014/15 £000			2015/16 £000	
	(47,565)	**Balance at 1 April**		(43,406)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,859		▪ Charges for depreciation and impairment of non-current assets	3,053	
6,196		▪ Revaluation (gains) / losses on Property, Plant and Equipment	(20,450)	
115		▪ Amortisation of intangible assets	74	
70		▪ Revenue expenditure funded from capital under statute	456	
1,012		▪ Amounts of non-current assets written off under disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,369	
-		Donated Assets	(16)	
(7)		Adjusting amounts written out of the Revaluation Reserve	(771)	
147	11,392	Movements in the market value of Investment Property	(201)	(16,486)
		Capital financing applied in the year:		
(1,004)		▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(277)	
(1,435)		▪ Use of the Major Repairs Reserve to finance new capital expenditure	(1,982)	
(693)		▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(640)	
(1,578)		▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,569)	
(2,523)	(7,233)	▪ Capital expenditure charged against the General Fund and HRA balances	(2,311)	(6,779)
	(43,406)	**Balance at 31 March**		**(66,671)**

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.

2014/15 £000		2015/16 £000
24,318	**Balance at 1 April**	**32,371**
6,732	Re measurement of the net defined benefit liability/(asset)	(8,732)
2,876	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	3,283
(1,555)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,596)
32,371	**Balance at 31 March**	**25,326**

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 compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Council Tax 2014/15 £000	Non Domestic Rates 2014/15 £000		Council Tax 2015/16 £000	Non Domestic Rates 2015/16 £000
(139)	**221**	**Balance at 1 April**	**(124)**	**937**
15	716	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated of the year in accordance with statutory requirements	3	803
(124)	**937**	**Balance at 31 March**	**(121)**	**1,740**

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 Balance is neutralised by transfers to or from the Account.

2014/15 £000		2015/16 £000
149	**Balance at 1 April**	**133**
(149)	Reversal of accrual made at the end of the preceding year	(133)
133	Amounts accrued at the end of the current year	141
133	**Balance at 31 March**	**141**

24. Cash Flow Statement - Operating Activities

2014/15 £000	2014/15 £000		2015/16 £000	2015/16 £000
	3,621	Net (Deficit)/Surplus on the provision of services		395
		Add		
(265)		Contribution to Housing Repairs Reserve	(174)	
(5,677)		Contributions to reserves	(6,082)	
(463)		Loss on sale of Assets	(311)	
285		Receipts re payment to Housing Pool	327	
15		Reversal of the Collection Fund Adjustment	3	
453		Reversal of the Collection Fund Adj. - NNDR	802	
271		Net movement on pensions	641	
2,614		Depreciation and Amortisation of Assets	3,422	
119		Write down of revenue expenditure funded from capital under statute	119	
(16)		Accumulated Absences	9	
(1,050)		Reversal of Current Pension Costs in Service Accounts	1,046	
100	(3,614)	Deminimus Charges	44	(154)
	7			241
		Add		
758		Increase in Provisions	671	
2,071		Increase in Reserves	2,026	
104		Increase in Payables	1,572	
314		(Decrease)/Increase in Receipts in Advance	661	
97		Decrease in Receivables	(666)	
31		(Increase)/Decrease in Stocks and WIP	(9)	
33	3,408	Decrease in Prepayments	55	4,310
	3,415	**Net cash flow from operating activities**		**4,551**

The above table is further analysed below:

2014/15 £000		2015/16 £000
(3,293)	**Cash movement relating to revenue activities**	**(4,381)**
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
	Cash Outflows	
3	Interest paid	3
	Cash Inflows	
(125)	Interest received	(173)
(3,415)		**(4,551)**

25. Cash Flow Statement – Investing Activities

2014/15 £000		2015/16 £000
7,223	Purchase of property, plant and equipment, investment property and intangible assets	8,172
278	Other payments for investing activities	382
(1,698)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,651)
(3,293)	Other receipts from investing activities	(3,346)
2,510	**Net cash flows from investing activities**	**3,557**

26. Cash Flow Statement – Financing Activities

2014/15 £000		2015/16 £000
(1,250)	Cash receipts of short and long term borrowing	(1,300)
4,507	Other receipts from financing activities	3,008
3,257	**Net cash flows from financing activities**	**1,708**

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resources allocation are taken by the Executive Board on the basis of budget reports analysed across Service Boards. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.
- Expenditure on some services and support services is budgeted for centrally and not charged to Service Boards.

The income and expenditure of the Council's principal Service Boards recorded in the budget reports for the year is detailed on the following page:

Service Board Income and Expenditure 2015/16	Executive Board	Community and Environment Board	Planning and Development Board\Licensing	Resources Board – General Fund	Resources Board - Housing Revenue Account	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(38)	(2,845)	(1,516)	(12,693)	(12,369)	(29,461)
Government grants	(15)	(34)	-	(15,154)	(33)	(15,236)
Total Income	**(53)**	**(2,879)**	**(1,516)**	**(27,847)**	**(12,402)**	**(44,697)**
Employee expenses*	285	3,475	450	9,575	1,300	15,085
Other service expenses	76	4,049	973	17,690	5,086	27,874
Support Service Recharges*	294	1,207	360	3,439	1,588	6,888
Total Expenditure	**655**	**8,731**	**1,783**	**30,704**	**7,974**	**49,847**
Net Expenditure	**602**	**5,852**	**267**	**2,857**	**(4,428)**	**5,150**

Service Board Income and Expenditure 2014/15 Comparative Figures	Executive Board	Community and Environment Board	Planning and Development Board/Licensing	Resources Board – General Fund	Resources Board - Housing Revenue Account	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(74)	(4,070)	(1,135)	(13,010)	(12,141)	(30,430)
Government grants	-	(34)	-	(15,327)	(34)	(15,395)
Total Income	**(74)**	**(4,104)**	**(1,135)**	**(28,337)**	**(12,175)**	**(45,825)**
Employee expenses *	279	3,336	460	9,460	1,444	14,979
Other service expenses	120	4,870	330	18,281	4,830	28,431
Support Service Recharges*	284	1,160	354	3,567	1,457	6,822
Total Expenditure	**683**	**9,366**	**1,144**	**31,308**	**7,731**	**50,232**
Net Expenditure	**609**	**5,262**	**9**	**2,971**	**(4,444)**	**4,407**

* In addition to expenses shown in the employee line, a substantial proportion of costs for the Council are shown within the Support service recharges line.

Reconciliation of Service Board Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure statement

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

2014/15 £000		**2015/16 £000**
4,407	Net expenditure in the Service Board Analysis	**5,150**
(351)	Amounts in the Comprehensive Income and Expenditure Statement not reported to Members in the Analysis	1,182
4,056	**Cost of Services in the Comprehensive Income and Expenditure Statement (*)**	**6,332**

Reconciliation to Subjective Analysis

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

2015/16	**Service Board analysis**	**Service and Support Service not in Analysis**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(29,461)	-	(534)	-	(29,995)
Interest and investment income	-	-	-	(173)	(173)
Income from council tax	-	-	-	(5,068)	(5,068)
Government grants and contributions	(15,236)	(88)	-	(3,192)	(18,516)
Total Income	**(44,697)**	**(88)**	**(534)**	**(8,433)**	**(53,752)**
Employee expenses	15,085	72	-	-	15,157
Other service expenses	27,874	(807)	26	(700)	26,393
Support service recharges	6,888	-	39	-	6,927
Depreciation, amortisation and impairment	-	2,005	-	-	2,005
Interest payments	-	-	-	1,092	1,092
Precepts and levies	-	-	-	964	964
NNDR Deficit on Collection Fund	-	-	-	803	803
Payments to Housing Capital Receipts Pool	-	-	-	327	327
Gain on disposal of non-current assets	-	-	-	(311)	(311)
Total Expenditure	**49,847**	**1,270**	**65**	**2,175**	**53,357**
Surplus on the provision of services	**5,150**	**1,182**	**(469)**	**(6,258)**	**(395)**

2014/15	**Service Board analysis**	**Service and Support Service not in Analysis**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(30,430)	-	(471)	-	(30,901)
Interest and investment income	-	-	-	(125)	(125)
Income from council tax	-	-	-	(5,001)	(5,001)
Government grants and contributions	(15,395)	(523)	-	(3,720)	(19,638)
Total Income	**(45,825)**	**(523)**	**(471)**	**(8,846)**	**(55,665)**
Employee expenses	14,979	74	-	-	15,053
Other service expenses	28,431	(1,532)	(7)	(726)	26,166
Support service recharges	6,822	-	37	-	6,859
Depreciation, amortisation and impairment	-	1,630	-	-	1,630
Interest payments	-	-	-	1,094	1,094
Precepts and levies	-	-	-	966	966
NNDR Deficit on Collection Fund	-	--	-	453	453
Payments to Housing Capital Receipts Pool	-	-	-	286	286
Gain on disposal of non-current assets	-	-	-	(463)	(463)
Total Expenditure	**50,232**	**172**	**30**	**1,610**	**52,044**
Deficit on the provision of services	**4,407**	**(351)**	**(441)**	**(7,236)**	**(3,621)**

28. Trading Operations

We operate trading accounts primarily for those services that formerly operated under Compulsory Competitive Tendering legislation. Any surplus or deficit resulting from these trading activities forms part of the Council's Net Cost of Service. For 2015/16 the total deficit resulting from trading activity totalled £32,894 and the following table summarises the financial performance for each. Refuse and Amenity Cleaning are no longer maintained as trading accounts.

DSO	2014/15 Expend £000	2014/15 Income £000	2014/15 (Surplus)/ Deficit £000	2015/16 Expend £000	2015/16 Income £000	2015/16 (Surplus)/ Deficit £000
Horticulture – the DSO maintains the Council's parks, playing fields and open spaces	477	(502)	(25)	548	(515)	33
Refuse Collection – the DSO collects both domestic and trade refuse	884	(767)	117	-	-	-
Amenity Cleaning – the DSO carries out street cleaning and litter picking activities.	524	(608)	(84)	-	-	-
Totals	**1,885**	**(1,877)**	**8**	**548**	**(515)**	**33**

29. Agency Services

Warwickshire County Council provides a payroll service to the Council, involving a total payment of £8.383 million for employees and members of the Council. Of this sum £1.329 million is paid to Her Majesty's Revenue and Customs and £0.474 million is paid to Warwickshire County Council pensions department. We paid a charge of £14,893 in 2015/16 for this service.

30. Pooled Budgets

We are part of a pooled budget arrangement with Nuneaton and Bedworth Borough Council for the provision of building control services. The current agreement is renewed annually. The Building Control Partnership is hosted by Nuneaton and Bedworth Borough Council and provides services to both Councils. It reports to a Steering Group which is 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.

		2014/15 £		2015/16 £
Funding provided to the pooled budget:				
• North Warwickshire	71,400		75,440	
• Nuneaton and Bedworth	136,750	208,150	144,500	
				219,940
Expenditure met from the pooled budget:				
• North Warwickshire	108,310		54,446	
• Nuneaton and Bedworth	207,462		104,288	
		315,772		158,734
Net (surplus)/deficit arising on the pooled budget during the year		107,622		(61,206)
Council share of 34.3% of the net (Surplus)/deficit arising from the pooled budget		36,914		(20,994)

31. Members' Allowances

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

	2014/15	2015/16
	£000	£000
Allowances	222	221
Expenses	5	9
Total	**227**	**230**

32. Officers' Remuneration

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

2015/16 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive* **	100,036	5,969	14,505	120,510
*(32 hours per week from January 2016) **includes Returning Officer for Borough Elections				
Deputy Chief Executive***	72,705	4,640	10,542	87,887

2014/15 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive	98,153	6,171	13,545	117,869
Deputy Chief Executive***	71,635	5,139	9,886	86,660
***(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:

Employee Pay Bands	2014/15 staff numbers	2015/16 staff numbers
£55,000-£59,999	5	-
£60,000-£64,999	-	5
£65,000-£69,999	2	2
	7	7

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 39.

Exit packages cost band	Number of Compulsory redundancies		Total cost of exit packages for compulsory redundancies by cost band	
	2014/15	2015/16	2014/15	2015/16
			£	£
£0 – £20,000	5	4	8,309	23,624
£20,001 - £40,000	1	-	23,257	-
Total	**6**	**4**	**31,566**	**23,624**

The total cost of £23,624 in the table above has been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

33. 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 2015-16 are Ernst Young LLP, who have replaced PricewaterhouseCoopers LLP.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2015/16 accounts.

Type of Audit Work	2014/15 £000	2015/16 £000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out for the year	57	-
Fees payable to Ernst Young LLP with regard to external audit services carried out for the year	-	42
Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	17	-
Fees payable to Ernst Young LLP for the certification of grant claims and returns for the year	-	11
Total	**74**	**53**

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

	2014/15	2015/16
	£000	**£000**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,963	1,402
Council Tax Freeze Grant	45	46
Non Domestic Rates	1,711	1,744
Total	**3,719**	**3,192**

Credited to Services		
New Burdens – Assets of Community Value	8	-
New Burdens – Community Right to Challenge	9	-
New Burdens – Council Tax Discount for Family Annexes	-	1
New Burdens – Other	-	7
New Burdens – Backdating and Removal of Family Premium Payments	-	1
New Burdens – Smoke and CO Alarms	-	1
New Burdens – Lettings Agent Transparency & Redress Scheme	-	1
New Burdens – Localising Council Tax Reform	65	15
Electoral Reform Services Grant	32	50
Small Business and Empty Property Rate Relief	451	428
Neighbourhood Planning Grant	5	15
New Burdens - Administration Funding	9	-
New Burdens - RTI Grant	1	5
New Burdens - Repairs and Renewals Administration Grant	1	-
Arts Council – Young People & Integration	8	-
Digital Expert Funding	25	-
New Burdens – Administration Costs	10	-
DWP - Local Authority Data Share (LADS-atlas)	-	7
DWP – Fraud and Error Reduction Incentive Scheme	-	17
Leader Project Grant	26	32
Stronger and Safer Communities Funding	14	24
New Burdens - Transparency Code Set Up	5	8
Benefits Grant	66	56
Benefits Administration Grant	314	282
New Homes Bonus Scheme	520	709
Rent Allowances Subsidy	7,934	7,771
National Non Domestic Rates Administration Grant	109	111
Housing Rent Rebates	6,137	6,112
Total	**15,749**	**15,653**

35. 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 set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 31.

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. Transactions and balances outstanding are detailed in Note 30.

Five Borough Councillors were also Warwickshire County Councillors in 2015/16. During the year, we paid £2,347,365 (£2,334,371 in 2014/15) 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 £457,677 (£1,800,488 in 2014/15) was received from the County Council for school swimming lessons, grass cutting, food bank, Community hubs, part occupation of Council Offices and recycling activities.

Five Borough Councillors were also on Atherstone Town Council in 2015/16. Income of £45,623 (£34,068 in 2014/15) was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town, a town council election and for some grounds maintenance work. Expenditure of £53,007 (£0 in 2014/15) was paid to Atherstone Town Council covering a contribution to Westwood road Play Area project and a grant towards some market Canopies.

Two Borough Councillors were also on Coleshill Town Council in 2015/16. Income of £5,748 (£1,397 in 2014/15) was received from Coleshill Town Council, for a town council election and provision of a trade refuse service.

During the year a payment of £64,125 (£63,456 in 2014/15) 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.

36. 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 payables. The resources that have been used to finance this expenditure are also shown.

Capital Expenditure and Financing		
	2014/15 £ 000	2015/16 £ 000
Capital Investment		
Property, Plant and Equipment	7,233	6,680
Intangible Assets	41	132
Revenue Expenditure Funded from Capital Under Statute	334	848
Total Expenditure	**7,608**	**7,660**
Sources of Finance		
Capital receipts	(1,004)	(397)
Government grants and other contributions	(2,634)	(911)
Revenue Contribution to Capital	(119)	(219)
Section 106 contributions	(54)	(33)
Earmarked Capital Reserve	(591)	(497)
Major Repairs Reserve/HRA RCCO	(1,519)	(3,496)
Capital payables	(114)	(948)
Prudential Borrowing	(1,573)	(1,159)
Total Financing	**(7,608)**	**(7,660)**

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.

	2014/15 £ 000	2015/16 £ 000
Long Term Assets	117,950	142,737
Long Term Receivable	1,000	1,000
Revaluation Reserve	(5,433)	(6,763)
Capital Adjustment Account	(43,406)	(66,671)
Capital Financing Requirement	**70,111**	**70,303**

37. Leases

<u>Council as Lessee</u>

Finance Leases

The Council has acquired the public conveniences at Water Orton, Coleshill and Polesworth under finance leases. These assets are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2015 £000		31 March 2016 £000
146	Property, Plant, and Equipment	135

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2015 £000		31 March 2016 £000
	Finance lease liabilities (net present value of minimum lease payments):	
9	• Current	9
110	• Non-current	103
27	Finance costs payable in future years	23
146	**Minimum lease payments**	**135**

The minimum lease payments will be payable over the following years:

	Minimum lease payments		Finance lease payments	
	31 March 2015 £000	**31 March 2016 £000**	**31 March 2015 £000**	**31 March 2016 £000**
Not later than one year	11	11	13	12
Later than one year and not later than five years	45	45	46	44
Later than five years	90	79	67	57
Total	**146**	**135**	**126**	**113**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16, no contingent rents were payable by the Council (none in 2014/15).

Operating Leases

We use operating leases as a way of financing some vehicles and equipment. The plant and vehicle leases relate to commercial vehicles (5 or 7 years) and mowers (4 years), most of which the Council uses to deliver various services to the public.

The total future minimum lease payments of these due under non-cancellable leases in future years are:

31 March 2015 £000		31 March 2016 £000
36	Not later than one year	5
11	Later than one year and not later than five years	-
47	**Total**	**5**

We also 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.

31 March 2015 £000		31 March 2016 £000
101	Minimum lease payments	101
(159)	Contingent rents	(165)
(58)	**Total**	**(64)**

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:

31 March 2015 £000		31 March 2016 £000
263	Not later than one year	262
54	Later than one year and not later than five years	49
4,567	Later than five years	4,546
4,884	**Total**	**4,857**

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 2015/16, £96,773 contingent rents were receivable by the Council (£100,181 in 2014/15).

38. 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 2015/16 (nil 2014/15).

39. Termination Benefits

The Council terminated the contracts of 4 employees in 2015/16, incurring liabilities of £23,624 (£31,566 in 2014/15) – see Note 32 for the number of exit packages and total cost per band. Payments were made to a Circuits Instructor at Coleshill leisure Centre, Tenancy and Neighbourhood Services Team Leader, Community Development Officer - Health Improvement and a Pavilion Caretaker /Cleaner who were made redundant as part of the Council's rationalisation of these services.

40. 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 that need to be disclosed 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.

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:

	2014/15 £000	**2015/16 £000**
Comprehensive Income and Expenditure Statement		
Cost of Services		
• Current service cost	(1,816)	(2,237)
• Past Service Cost and Curtailments	(10)	-
Financing and Investment Income and Expenditure		
• Interest cost	(3,353)	(2,962)
• Expected return on scheme assets	2,303	1,916
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(2,876)	(3,283)
Re measurement of the net defined benefit liability comprising		
• Return on plan assets	4,670	(719)
• Actuarial (losses)/gains arising on changes in financial assumptions	(12,073)	8,362
• Other	671	1,089
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(6,732)	8,732
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus or Deficit of Services for post employment benefits in accordance with the Code	2,876	3,283
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers contributions payable to scheme	1,555	1,596
Retirement benefits payable to pensioners	(2,665)	(2,779)

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 gain of £8,732,000 at 31 March 2016 and a loss of £6,732,000 at 31 March 2015.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities	
	2014/15 £000	**2015/16 £000**
Opening balance at 1 April	**78,217**	**92,609**
Current service cost	1,816	2,237
Past Service Cost	10	-
Interest Cost	3,353	2,962
Contributions by scheme participants	476	475
Actuarial losses arising from changes in financial assumptions	12,073	(8,362)
Other	(671)	(1,089)
Benefits paid	(2,665)	(2,779)
Closing balance at 31 March	**92,609**	**86,053**

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

	Funded Assets	
	2014/15 £000	**2015/16 £000**
Opening fair value of scheme assets at 1 April	53,899	60,238
Expected rate of return - Interest	2,303	1,916
Actuarial gains – Return on plan assets	4,670	(719)
Contributions by scheme participants	476	475
Employer contributions	1,555	1,596
Benefits/transfers paid	(2,665)	(2,779)
Closing fair value of scheme assets at 31 March	**60,238**	**60,727**

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 £1.197 million (£6,973 million in 2014/15).

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

	31 March 2012 £000	**31 March 2013 £000**	**31 March 2014 £000**	**31 March 2015 £000**	**31 March 2016 £000**
Present value of the defined benefit obligation	(64,607)	(75,627)	(78,217)	(92,609)	(86,053)
Fair value of Plan assets	44,414	50,633	53,899	60,238	60,727
Net liability arising from defined benefit obligation	**(20,193)**	**(24,994)**	**(24,318)**	**(32,371)**	**(25,326)**

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £25.326 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 2015/16 the Council actually paid an employer's contribution of £1,070,821 representing 14.5% (13.8% in 2014/15) of participating employees' pensionable pay into Warwickshire County Council's Superannuation Fund which provides members with defined benefits related to pay and service. In addition the Council also paid £1,173 for those Members who have joined the scheme. In addition the Council is responsible for all pension payments relating to added years benefit it has awarded together with the related increases. In 2014/15 these amounted to £138,933 representing 1.88% of pensionable pay (in 2014/15 the Council made payments totalling £142,919 representing 1.93% of pensionable pay). In 2016/17 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,534,000.

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 2016. 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:

	2014/15	**2014/15**	**2015/16**	**2015/16**
	Beginning of year	**End of Year**	**Beginning of year**	**End of Year**
Long term expected rate of return on assets in the scheme				
Equity investments	7.2%	13.0%	13.0%	2.0%
Government Bonds	7.2%	13.0%	13.0%	2.0%
Property	7.2%	13.0%	13.0%	2.0%
Cash/Liquidity	7.2%	13.0%	13.0%	2.0%
Expenses Deducted (p.a.)	0.6%	0.6%	0.6%	0.6%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.4	22.4	22.4	22.4
Women	24.4	24.4	24.4	24.4
Longevity at 65 for future pensioners:				
Men	24.3	24.3	24.3	24.3
Women	26.6	26.6	26.6	26.6
Rate of Inflation (CPI)	2.4%	2.4%	2.2%	2.2%
Rate of Increase in salaries	4.6%	4.3%	4.3%	4.2%
Rate of increase in pensions	2.4%	2.4%	2.2%	2.2%
Rate of discounting scheme liabilities	4.3%	3.2%	3.2%	3.5%

	2014/15	2014/15	2015/16	2015/16
	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.

	2014/15	2014/15	2015/16	2015/16
	£ 000	**%**	**£ 000**	**%**
Equity Securities:-				
• Consumer	6,286.0	10.2%	6,830.8	11.2%
• Manufacturing	2,672.1	4.4%	2,546.9	4.2%
• Energy and Utilities	2,145.1	3.6%	1,162.9	1.9%
• Financial Institutions	3,516.4	5.8%	3,309.4	5.5%
• Health and Care	1,421.7	2.4%	2,024.6	3.3%
• Information Technology	1,583.6	2.6%	1,659.3	2.7%
• Other	1,644.0	2.7%	2,322.2	3.8%
Private Equity:-				
• All	1,085.5	1.8%	1,643.7	2.7%
Real Estate:-				
• UK Property	6,072.3	10.1%	6,967.3	11.5%
• Overseas Property	79.8	0.1%	51.3	0.1%
Investment Funds and Unit Trusts:-				
• Equities	15,515.9	25.9%	14,971.3	24.6%
• Bonds	10,469.4	17.5%	10,196.4	16.8%
• Hedge Funds	2,665.4	4.4%	3,022.5	5.0%
• Infrastructure	-	-	535.1	0.9%
• Other	2,217.2	3.7%	2,777.7	4.6%
Cash and Cash Equivalents:-				
• All	2,863.6	4.8%	705.6	1.2%
Total	**60,238.0**	**100.0%**	**60,727.0**	**100.0%**

41. 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 division, 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 Capita 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
- CDS 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 2016 that this was likely to crystallise.

The Council's exposure to credit risk on other financial assets relates to trade/sundry receivables. We do not allow credit for trade/sundry receivables so £170,740 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2015 £000	**31 March 2016 £000**
Less than three months	115	106
Between three and six months	11	13
Between six months and one year	8	4
More than one year	59	48
TOTAL	**193**	**171**

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 2016 was £2,305.

➢ *Liquidity Risk*

The Council manages its liquidity position through the risk management procedures above (the setting and proving of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks 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.

The maturity analysis of financial liabilities is as follows:

	31 March 2015 £000	31 March 2016 £000
Less than one year	1,300	1,450
Between one years and two years	1,450	1,600
Between two and five years	5,050	5,450
Between five and ten years	11,210	11,660
Between ten and fifteen years	14,300	16,130
Between fifteen and twenty years	12,979	8,699
More than twenty years	10,000	10,000
Total	**56,289**	**54,989**

All trade and other payables 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 2016 were held with banks and building societies. At 31 March 2016 the Council had short-term investments of £14.039 million.

	31 March 2015 £000	31 March 2016 £000	Change in year £000
Short Term Investments	11,031	14,039	3,008
Total	**11,031**	**14,039**	**3,008**

- *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 variable and fixed 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, to take advantage of the favourable interest rates offered for that transaction. 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.

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. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Actual 2014/15 £000	Actual 2014/15 £000		Actual 2015/16 £000	Actual 2015/16 £000	Note
		EXPENDITURE			
2,956		Repairs and Maintenance	3,054		5
		Supervision and Management			
1,282		- General	1,279		
475		- Special Services	531		
1,630		Depreciation and Impairment of non-current assets	2,005		8
2,883		Debt Management Costs	2,924		
34		Movement in the allowance for bad debts	9		11
	9,260	**TOTAL EXPENDITURE**		9802	
		INCOME			
(11,645)		Dwelling rent	(11,789)		12
(319)		Non-dwelling rent	(332)		
(90)		Charges for Services and Facilities	(87)		
(523)		Grant for New Build	(88)		
	(12,577)	**TOTAL INCOME**		(12,296)	
	(3,317)	**Net Income of HRA Service as included in the Comprehensive Income and Expenditure Statement**		**(2,494)**	
	85	HRA service share of Corporate and Democratic Core		88	
	(3,232)	**Net Income/cost for HRA Services**		**(2,406)**	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	(463)	Gain on sale of HRA non-current assets		(313)	
	(10)	Interest payable and similar charges		(69)	
	(41)	Interest and Investment Income		(43)	14
	7,685	(Deficit) or Surplus on Revaluation of Property, Plant and Equipment		(20,374)	
	3,939	**(Surplus) or Deficit for the year on HRA Services**		**(23,205)**	

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.

2014/15 £000		2015/16 £000
(1,391)	**Balance on the HRA at the end of the previous year**	**(1,979)**
3,939	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement	(23,205)
(7,275)	Adjustments between accounting basis and funding basis under statute	20,602
(3,336)	**Net (Increase) or decrease before transfers to or from reserves**	**(2,603)**
2,748	Transfers to or (from) reserves	1,793
(588)	**(Increase) of decrease in year on the HRA**	**(810)**
(1,979)	**Balance on the HRA at the end of the current year**	**(2,789)**

Adjustments between accounting basis and funding basis under statute:

2014/15 £000		2015/16 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
(7,685)	Reversal of Impairment losses and revaluations	20,374	9
463	Gain on sale of HRA Property, Plant and Equipment	313	
(64)	Net charges made for retirement benefits in accordance with IAS 26	(157)	10
1	(Increase)/Reduction in accrual for employee benefits	3	
(7,285)	**Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year**	**20,533**	
10	Transfer to Capital Adjustment Account	69	13/14
(7,275)	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**20,602**	

Transfers to or from reserves

2014/15 £000		2015/16 £000	Note
265	Transfer to/(from) the Housing Repairs Reserve	174	5

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2016

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 2,678 dwellings during 2015/16, consisting of the following:

2014/15		2015/16
1,420	Houses	1,396
663	Flats	656
609	Bungalows	611
2,692	**Total at 31 March**	**2,663**
	The change in stock was as follows:	
2,701	Stock at 1st April	2,692
(27)	less Sales	(31)
18	New Build	2
2,692	**Stock at 31 March**	**2,663**

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £118.867 million as at 31 March 2016. 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 2015 £000	Asset Type	Balance as at 31 March 2016 £000
28,108	Land	34,626
63,725	Council Dwellings	79,672
79	Plant and Vehicles	248
4,161	Other Property	4,321
96,073	**Total**	**118,867**
63,725	Operational Assets – Dwellings	79,672
27,348	- Land	33,797
4,161	- Other Buildings	4,321
79	- Plant and Vehicles	248
760	Non-operational Assets	829
96,073	**Total**	**118,867**

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 £330.016 million. This is different to the gross book value of the assets included within the balance sheet of £112.205 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.

2014/15 £000		2015/16 £000
(1,621)	Balance as at 1 April	(1,536)
(1,630)	Transfer into Reserve – Depreciation	(1,982)
1,630	Transfer into Reserve – Appropriation	1,982
85	To finance Capital Expenditure – Houses	-
(1,536)	**Balance as at 31 March**	**(1,536)**

5. Housing Repairs Reserve

The Housing Repairs Reserve exists to provide for repairs and maintenance to council dwellings. The movement on the fund is given below:

2014/15 £000		2015/16 £000
72	Balance as at 1 April	337
3,184	Contributions from HRA	3,135
(2,919)	Use of Fund	(2,961)
337	**Balance as at 31 March**	**511**

6. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2015/16, spent £4,507,288 (£2,932,594 in 2014/15). This expenditure was used to fund work on council houses of £3,237,703 (£1,025,013 in 2014/15) and new housing of £1,076,914 (£1,907,581 in 2014/15). The remaining expenditure of £192,671 (£0 in 2014/15) related to the replacement of HRA vehicles. There was no work on garages or community centres in 2015/16 (£0 and £0 in 2014/15 respectively). Capital spending during the year has been paid for from a number of sources and these are shown on the next page:

2014/15 £'000	Source of Funding	2015/16 £'000
(85)	Major Repairs Reserve	-
(404)	Capital Receipts	(2)
(1,435)	Earmarked Reserves	(3,496)
(987)	Grants and Contributions	(88)
(21)	Capital Payables	(921)
(2,932)	**Total**	**(4,507)**

7. Disposal of Assets

We dispose of HRA property through the Right to Buy scheme. We also dispose of other assets as opportunity sales. During 2015/16 capital income of £1,651,225 was received from the sale of 31 council houses (£1,434,125 for 27 houses in 2014/15).

8. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2015/16 the amount of depreciation charged is as follows.

2014/15 Operational assets £000		2015/16 Operational assets £000
1,519	Council Dwellings	1,895
97	Other Property	86
2	Vehicles	12
12	Plant & Equipment	12
1,630	**Total**	**2,005**

9. Impairment charges

In overall terms the Council's housing stock increased in value during the year. Revaluation gains of £20.445 million were credited to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account.

10. 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 £157,465 to reflect the additional costs of those benefits. This has then been reversed out elsewhere within the account.

11. Rent Arrears

At 31 March 2016 the total rent in arrears was £284,341, which represents 2.41% of collectable rent income (2.59% in 2014/15). The rent arrears figures are detailed below: -

2014/15 £000		2015/16 £000
	Arrears at 31st March: -	
143	Present Tenants	114
160	Former Tenants	170
303	**TOTAL ARREARS**	**284**

The allowance for bad debts at 31 March 2016 was £226,326 (£230,094 at 31 March 2015). Debts totalling £14,101 were written off during the year (£7,241 written off in 2014/15).
The Council has decreased the provision for the non collection of leaseholder service charges relating to maintenance works undertaken on leasehold properties by £1,277 (£9,552 increase in 2014/15).

12. Gross Rent Income

This is the total rent income due for the year after allowances are made for voids etc. During the year 1.35% of lettable properties were vacant (1.19% in 2014/15). Average rents were £93.06 a week in 2015/16 (excluding service charges) on a 48 week basis, an increase of £1.94 or 2.13% over the previous year.

13. Charges for Borrowing

The Housing Revenue Account repaid £1,300,000 of the long term borrowing it took out as part of the move to the Housing Self Financing system and £1,623,860 in interest payments on the borrowing still outstanding. Any short term borrowing needed to manage HRA cash flo ws 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 2015/16.

14. 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 2015/16 this amounted to £42,769 (£41,115 in 2014/15).

The HRA holds land at various locations in the Borough as investment assets. Revaluation of 5 parcels of land during the year showed an increase in the asset valuations of £57,750 (£10,000 increase in 2014/15). In addition we hold 10 shared ownership properties in Thorncliffe Way and Cornish Close Ansley as investment properties. During the year there was an increase in their valuations of £11,400 (£0 increase in 2014/15). The revaluation 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.

The Collection Fund - Income and Expenditure Statement for the Year Ended 31 March 2016

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 national non-domestic rates (NNDR).

2014/15 Council Tax £000	2014/15 NNDR £000	2014/15 Total £000		2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000
			INCOME			
32,133	-	32,133	Income from Council Tax (net of benefits and transitional relief)	33,204	-	33,204
-	41,685	41,685	Income Collectable from Business Ratepayers	-	42,362	42,362
32,133	**41,685**	**73,818**		**33,204**	**42,362**	**75,566**
			EXPENDITURE			
			Precepts and Demands :			
22,782	-	22,782	Warwickshire County Council	23,646	-	23,646
3,569	-	3,569	Warwickshire Police Authority	3,706	-	3,706
4,877	-	4,877	North Warwickshire Borough Council	4,962	-	4,962
31,228	-	31,228		32,314	-	32,314
			Distribution of Surpluses :			
634	-	634	Warwickshire County Council	509	-	509
99	-	99	Warwickshire Police Authority	80	-	80
139	-	139	North Warwickshire Borough Council	109	-	109
872	-	872		698	-	698
			Business Rate :			
-	16,192	16,192	North Warwickshire Borough Council	-	16,910	16,910
-	20,239	20,239	Payment to Government	-	21,137	21,137
-	4,048	4,048	Payment to Warwickshire County Council	-	4,228	4,228
-	328	328	Transition Protection payment to Government	-	185	185
-	109	109	Cost of collection	-	111	111
-	40,916	40,916		-	42,571	42,571
			Bad and doubtful debts/appeals :			
63	100	163	Arrears Written Off	249	196	445
-	(85)	(85)	Deferred Rates	-	-	-
46	(9)	37	Provision for uncollectable amounts	(51)	(77)	(128)
-	1,895	1,895	Provision for Appeals	-	1,679	1,679
-	123	123	Less Spread of Appeals provision	-	123	123
(76)	(1,255)	(1,331)	Increase/(Decrease) in Fund Balance	(6)	(2,130)	(2,136)
32,133	**41,685**	**73,818**		**33,204**	**42,362**	**75,566**
871	(1,285)	(414)	Balance at 1 April	795	(2,540)	(1,745)
(76)	(1,255)	(1,331)	**SURPLUS/(DEFICIT) FOR THE YEAR**	(6)	(2,130)	(2,136)
795	**(2,540)**	**(1,745)**	**Balance at 31 March 2016**	**789**	**(4,670)**	**(3,881)**

Precepts and Demands on the Collection Fund (Council Tax)

Precept /Demand	Share of 31 March 2015 Surplus	2014/15 Total	Authority	Precept /Demand	Share of 31 March 2016 Surplus	2015/16 Total
£000	£000	£000		£000	£000	£000
22,782	580	23,362	Warwickshire County Council	23,646	579	24,225
3,569	91	3,660	Warwickshire Police Authority	3,706	90	3,796
4,877	124	5,001	North Warwickshire Borough Council	4,962	120	5,082
31,228	**795**	**32,023**	**Total**	**32,314**	**789**	**33,103**

NNDR (Business Rates) on the Collection Fund

Business Rates 2014/15	Share of 31 March 2015 Deficit	2014/15 Total	Authority	Business Rates 2015/16	Share of 31 March 2016 Deficit	2015/16 Total
£000	£000	£000		£000	£000	£000
16,192	(796)	15,396	North Warwickshire Borough Council	16,910	(1,722)	15,188
4,048	(291)	3,757	Warwickshire County Council	4,228	(491)	3,737
20,239	(1,453)	18,786	Government	21,137	(2,457)	18,680
40,479	**(2,540)**	**37,939**	**Total**	**42,275**	**(4,670)**	**37,605**

Notes to the Collection Fund for the year ended 31 March 2016

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 2015/16 the base was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent Dwellings
A	4,261.99	6/9	2,840.23
B	5,417.92	7/9	4,213.94
C	5,041.43	8/9	4,481.27
D	3,325.38	9/9	3,325.38
E	2,004.03	11/9	2,449.37
F	1,100.37	13/9	1,589.43
G	638.51	15/9	1,064.18
H	62.26	18/9	124.52
			20,088.32
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			(401.78)
COUNCIL TAX BASE 2015/16			**19,686.54**

On the basis of an average £1,641.44 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £32.314 million (£1,641.44 x 19,686.54). 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 17th February 2016 are accounted for in the following year to allow the system to be rolled forward and future bills prepared. We were notified of decreases of £499,600 after the 17th February 2016, due to changes to the valuations of properties, which will be included within the 2016/17 accounts.

The total non-domestic rateable value at the year-end was £97,409,519 (£98,330,333 in 2014/15). The national non-domestic rate for small businesses was 48.0 pence (47.1 pence in 2014/15) and the rate for other businesses was 49.3 pence (48.2 pence in 2014/15).

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations England 2011, which require those statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Council's Financial Statements have been prepared on a going concern basis, that is, the accounts are prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Statements have been completed using the qualitative characteristics of Understandability, Relevance, Materiality, Reliability and Comparability.

The Statement of Accounts have been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the "common needs of most users".
- The objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them.

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 receivable or payable 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 receivables 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 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 Payables.

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 no more than 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.

Depreciation has been calculated where appropriate, by spreading the value of the asset less any residual value over its useful life. Depreciation is charged on all operational buildings owned by the Council, both General Fund and those held within the Housing Revenue Account. These capital charges form part of the net cost of service within the Comprehensive Income and Expenditure Statement.

We are not required to raise council tax to cover depreciation, revaluation and impairment losses and intangible asset 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 amortisations 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, bonuses and non-monetary benefits (e.g. cars) 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 out 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, or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the 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
  - Unitised securities – current bid price
  - Property – market value.

- The change in the net pension liability is analysed into seven components:
  - 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 increase 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.
- 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.
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, which are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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 and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

In addition, the Council has a net loss due to the early settlement of borrowing a number of years ago. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the General Fund or HRA balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount was receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund or HRA balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

Loans and Receivables

These are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest and income credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for Sale Assets

These are assets that have a quoted market price and/or do not have fixed or determinable payments.

Available for Sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised costs of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. Dividend) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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 Payables (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 and Long term Contracts

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 Properties

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 ion an orderly transaction between market participants at the measurement date. 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.

<u>The Council as a Lessee</u>

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 and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the 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 in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

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

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

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** – fair 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.

- **All other assets** – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimated of fair 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 fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 form 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 though 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 is transferred to the Usable Capital Receipts Reserve where it is held until it is used to meet the cost of new capital spending or is 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 original 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 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 appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund

Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the Movement in Reserves Statement on page 9 and notes 6 and 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 payable to Her Majesty's Revenues and Customs and all VAT paid is recoverable from them. 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).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTH WARWICKSHIRE BOROUGH COUNCIL

To Follow

Glossary of Terms

ACCRUALS	Income and expenditure that is recognised as it is earned or incurred rather than as the money is actually received or paid.
ACTUARIAL GAIN	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'.
AMORTISATION	The drop in value of intangible assets as they become out of date.
ASSET	An item, which is intended to be used for several years such as a building or a vehicle.
BUDGET	A statement of a Council's plans for expenditure over a specified period of time.
BUSINESS RATES (Non-domestic rates – NDR)	Businesses pay these rates instead of council tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority in that area. The rates are then distributed to Central Government, Warwickshire County Council and this Authority.
CAPITAL CHARGES	A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.
CAPITAL EXPENDITURE	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.
CAPITAL RECEIPTS	Income from the sale of Council assets, e.g. land and buildings.
CENTRAL SUPPORT SERVICES	The cost of central departments, which are apportioned over the various services.
CIPFA (CPFA)	The Chartered Institute of Public Finance and Accountancy
COMMUNITY ASSETS	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).
CONTINGENCY	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.
CORPORATE AND DEMOCRATIC CORE COSTS	Spending relating to the need to co-ordinate and account for the many services we provide to the public.
CURRENT ASSETS	Short-term assets, which constantly change in value such as stocks, receivables and bank balances.

CURRENT LIABILITIES	Short-term liabilities, which are due to be, paid in less than one year, for example, payables and bank overdrafts.
CLG	Department for Communities and Local Government.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Spending on assets that have a lasting value, such as buildings, which we do not own.
GOVERNMENT GRANTS	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).
GROSS EXPENDITURE	The cost of providing the Council's services before allowing for Government grants or other income.
HERITAGE ASSETS	For us, these are assets that are used by the Office of the Mayor.
HOUSING BENEFITS	A system of financial assistance towards certain housing costs, e.g., Rent Rebates, which are administered by the local council.
HOUSING REVENUE ACCOUNT (HRA)	The account, which shows all the income and expenditure incurred in the management and maintenance of the Council's housing stock.
IMPAIRMENT	This is a reduction in an asset value due to physical damage, obsolescence or a decline in its market value.
INFRASTRUCTURE ASSETS	These are inalienable assets, expenditure which is recoverable only by continued use of the asset created (e.g. street lighting, tidy bins, and footpaths).
INTANGIBLE ASSETS	Spending on assets, this cannot be physically seen, such as computer software.
INVESTMENT PROPERTIES	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.
MINIMUM REVENUE PROVISION (MRP)	The amount that we have to set aside each year to repay loans.
NET EXPENDITURE	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.
NDR	Non Domestic Rates.
NON-OPERATIONAL ASSETS	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).
OPERATIONAL ASSETS	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)

PAYABLES	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.
PRECEPT	The amount each Council in the area asks us to collect from council tax on their behalf each year.
RECEIVABLES	Sums of money due to the Council but unpaid at the date of the balance sheet.
REVENUE CONTRIBUTIONS TO CAPITAL EXPENDITURE	The financing of capital expenditure directly from revenue.
REVENUE EXPENDITURE	Spending on the day-to-day running of services, mainly staff, running expenses of buildings and equipment and debt charges.
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice.
TEMPORARY LOANS	Money borrowed for an initial period of less than one year.
TRADING ACTIVITIES	This refers to services operated by the Council that operate in a contractor role with the Council. Primarily relating to those services formerly subject to Compulsory Competitive Tendering, it also includes part of the Council's Building Control Service.
UK GAAP	UK Generally Accepted Accounting Practice

NORTH WARWICKSHIRE BOROUGH COUNCIL

2015/16 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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.

The Council has also reviewed the CIPFA[i] Statement on the Role of the Chief Financial Officer in Local Government (2010), and is satisfied that its financial management arrangements conform to the governance requirements of the CIPFA Standard.

The governance statement has been in place at North Warwickshire Borough Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

Statutory Officers

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 – Deputy Chief Executive
- The Monitoring Officer – Assistant Chief Executive and Solicitor to the Council.

The Head of Paid Service leads and takes responsibility for the work of the Council's paid staff who run 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, act as the principal policy advisor to elected Members, develop workable strategies which will deliver the political objectives set by elected Members, lead and develop strong partnerships across the local community to achieve improved outcomes and better public services for local people, and oversee service development, financial and performance management, people management and change management within the Council.

The Chief Financial Officer must be a member of a specified accountancy body, and is bound by professional standards. 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 prudential 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 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.

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 Assistant Chief Executive (Community Services), who adds a customer focus to any decision making of the Team.

The 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.

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.

The governance framework

The Council assesses the needs of the area through the Sustainable Community Strategy process and work with the North Warwickshire Community Partnership. Consultation is undertaken with stakeholders, as part of the review process. This Community Strategy is used to inform the Council's Corporate Plan, which provides clear links on how the achievement of Council priorities assists in the delivery of community objectives. Other mechanisms are also used and an example of these is the range of partnerships across Warwickshire, which is playing an increasing part in influencing the work of the Council. As consultation is part of these mechanisms, and as these are ongoing, they also require the Council to be accountable for the actions they have taken over time.

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. They review papers for consideration, attend meetings as necessary and are available for members to consult. The CFO ensures that all members of the Senior Management Team have the financial capabilities necessary to perform their respective roles.

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
- A Medium Term Financial Strategy to ensure sustainable finances for all other Council services
- A robust annual process that ensures financial balance
- A monitoring process that enables this to be delivered.

During the year progress against Corporate and Service Plan targets is collected and reported to senior managers, Management Team and to service boards, 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. Periodic and annual reviews of financial reports indicate financial performance against forecasts for all of the Council's spending. Summary information is also published.

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. During 2013/14, the Council chose to be the subject of a Peer Challenge review. Peer challenges are improvement-focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. Feedback from the review highlighted a few areas for improvements including the image we project as an area. We hope to have a follow up assessment on how we promote the Borough in the coming year, so that progress can be measured.

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 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. A more cost effective service is provided by appropriately trained staff and 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. Where a shortfall is identified, this is addressed through the annual training plan. The Council uses a workforce plan to plan more rigorously for future staffing requirements. This projects future service needs and the workforce that would be needed for their delivery.

As the Council looks at revised ways of working and increasing its use of partnerships in the provision of services, it agrees the roles and responsibilities of those involved during the 'set up' stage. For major partnerships these are formalised in a legal agreement. This ensures that services are still managed and governed appropriately whether the Council provides them directly or through others.

Better value for money by improving efficiency, though partnership working or other means, realises savings that can be used to offset the Council's reduction in external funding. Helping to secure positive social outcomes within affordable funding lies at the heart of the CFO's role in the local authority.

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 complements procedure and confidential reporting policy. To assist with monitoring, a register of interests is maintained for both Members and officers. Non compliance by employees is dealt with through the Council's disciplinary procedure. The process for dealing with non compliance by Members involves at least one Independent Person.

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. Risk management is led by the Deputy Chief Executive, with support from Finance and Human Resources, who promote and co-ordinate risk management across the Council. The system involves an annual review of strategic risks by the Senior Management Team and an annual review of operational risks in their service areas by senior managers. Some checking is carried out throughout the year by the Internal Audit section. In addition the Resources Board receive updates on risk management activity undertaken.

Board meetings are open to the public, except where personal or confidential matters are being disclosed. All areas of work go through the Board system with the majority of work discussed in 'open session'. Reports to Board cover a standard format to ensure that all reports contain sufficient information and options to allow for robust and well informed decision making. All implications that need to be considered, such as legal, financial, risk management and so on, are covered. Where possible, the implications are checked by staff with professional knowledge. This ensures that Members have sufficient and suitable information for decision making, and also ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Council accounts for its decisions through the information it publishes. It also is subject to scrutiny through a variety of means: self scrutiny by its Scrutiny Board, internal and external audit work, central and regional inspection agencies and reviews by service users. The Council is also accountable to the public and local groups and uses consultation to assess whether it is meeting local expectations. Public speaking at Planning Board and question time at all Boards is available to make us more accountable to the public. The Council has a consultation strategy and will vary the methods used for consulting with the public depending on the subject matter, and the target audience. Through this mechanism valuable information is received on the decisions that the Council has taken and is used to feed into future objectives.

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 managers within the Authority who have responsibility for the development and maintenance of the governance environment, work carried out by Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates. Data obtained from the results of user surveys are also used to assess the effectiveness of the Councils governance arrangements.

To ensure that the governance framework remains effective, senior officers and Members have reviewed individual elements of the framework. Other review work has been undertaken by the Council's statutory officers, with amendments made to the Constitution, Treasury Management Strategy, Information and Communications Strategy and Contract standing Orders.

The Council operated a Scrutiny Board during the year, which reviewed a number of areas including: fly tipping, grass cutting and street lighting, CCTV arrangements in Atherstone and around the Borough and highways responsibilities and HGV routes. However a review of the scrutiny function concluded that this formal board structure did not support the detailed scrutiny that would be of benefit in the modernised committee structure operated by the Council. Going forward scrutiny will be carried out instead through the use of Task and Finish groups aligned to the Policy boards.

The work undertaken by Internal Audit has enabled the Head of Audit to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda. Progress has been made with the implementation of the Corporate Governance Action Plan approved last year, although some areas still require completion. Specialist counter-fraud consultants and external IT auditors have been used to supplement the work carried out by the section.

The Council takes 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. This is supplemented by fraud awareness training for all employees. We have a number of ways that concerns can be raised, by employees, Members of the Council or the public. These concerns will be followed up by trained investigators and action will be taken in proven cases. The Council also contributes to National and Regional Fraud Initiatives using data matching techniques. The Internal Audit section work with divisions to ensure that all areas identified are followed up.

The risk management strategy used by the Council has been reviewed during the year, as it is subject to annual review to ensure it remains effective. The risk management process operated by the Council has continued throughout the year including the completion of Annual Statements of Assurance by all senior managers.

Our review of the effectiveness of the system of internal financial control is informed by the work of managers within the Council, the work of the Internal Auditors and by our external auditors, Ernst & Young plc, in their annual audit letter and other reports. Executive Board consider the annual audit letter. The external auditors are also required to comment on the value for money achieved by the Council, as part of their opinion on the financial statements.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Resources Board, Scrutiny Board, Chief Executive, Deputy Chief Executive, Assistant Chief Executive and Solicitor to the Council, Assistant Chief Executive (Community Services), Assistant Directors, Audit Manager, Ernst & Young plc, TIAA, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

A number of actions have been taken during the last year to manage risk and improve the Council's governance arrangements, including:

- The Medium Term Financial Strategy was updated to reflect the reduced funding available, as well as the identification of 2016/17 savings
- The Treasury Management Strategy was reviewed and updated
- Continued monitoring of business rate appeals with the Valuation Office and the use of a valuation tool to help predict changes in the business rates due
- Work was carried out in line with the agreed Audit Plan, with ad hoc work completed where necessary
- Another Health and Safety Officer was appointed to support the Housing Maintenance section in reviewing its processes and procedures
- There was a review and update of the constitution
- Induction meetings were held for new Councillors, and training sessions were held on licensing and planning matters.
- The Child Protection Policy was updated and training for members of staff was carried out
- A review of Building Control processes and procedures was undertaken by finance and planning officers
- A shared fraud officer post has been put in place with Nuneaton and Bedworth Borough council to detect low level Council Tax Support fraud
- Research has been carried out on amended EU procurement legislation and subsequent UK regulation
- Contract Standing Orders were updated for the new EU Procurement Regulations.

Further actions will be taken in 2016/17, including:

- Updating the Medium Term Financial Strategy and working on savings for 2017/18 onwards
- Updating the capital programme and resources available
- Continuing to petition Parliament on HS2
- Reviewing IT/cyber security measures and identifying ways to improve the security of our systems and data
- Monitoring changes in employment law, updating policies and providing briefings as required
- Continuing the programme of health and safety audits in services
- Reviewing the corporate Debt and Write Off Policy to ensure it is fit for purpose
- Providing Member training on child protection issues
- A Member Task & Finish Group will look at all aspects of parking provision and management in readiness for the implementation of Civil Parking Enforcement
- Completing the review of the homelessness strategy, ensuring housing need in the Borough is met effectively
- Reviewing the structure of the Housing Response Repairs Service and making changes to improve productivity and customer service.

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:...

Chief Executive

On behalf of North Warwickshire Borough Council

Agenda Item No 6

Executive Board

19 September 2016

Report of the Deputy Chief Executive

External Auditors' Report

1 **Summary**

1.1 The main purpose of this report is to inform Members of the External Auditors' report to those charged with governance.

Recommendation to Council **That the contents of the External Auditors' report be noted.**

2 **Report on the Financial Statements**

2.1 The Council's appointed auditors, Ernst & Young LLP, have carried out their audit of the 2015/16 financial statements. A report on work undertaken by the auditors is attached as Appendix A.

3 **Report Implications**

3.1 **Finance and Value for Money Implications**

3.1.1 These are covered in the Auditors' report.

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

Audit Results Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016

September 2016

Ernst & Young LLP

Building a better working world

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Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Executive Board – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	We have substantially completed our audit of the financial statements of North Warwickshire Borough Council for the year ended 31 March 2016. Subject to satisfactory completion of the following outstanding items/outstanding items included in Appendix C we will issue an audit opinion in the form which appears in Appendix F: · Review of the final version of the financial statements · Completion of subsequent events review · Receipt of the signed management representation letter · Completion of Whole of Government Accounts audit procedures · Assurance letter from auditor of the Warwickshire County Pension Fund We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements. We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources. We are to complete work directed by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We expect to issue the audit certificate at the same time as the audit opinion.
Audit differences	Our audit identified a number of audit differences which our team have highlighted to management for amendment. There were two material misstatements identified 1) Our testing of payments made in April 2016 identified that some NDR appeal refunds were paid in April 2016 but were due by the council prior to the 2015/16 year end. The error identified by the audit team was approximated £906k. 2) Adjustments to the Revaluation Reserve within the Fixed Asset Register relating to write off of the revaluation reserve balances over the useful economic life of the asset had not been posted to the GL. The revaluation reserve has therefore been misstated by £771k in 2015/16 and £356k in 2014/15. These have been corrected during the course of our work and further details are provided at Appendix B.
Scope and	We have assessed materiality at the Council to be £822,860 this based

materiality	on the actual results for the financial year. The threshold for reporting audit differences which impact the financial statements is £41,130 to £411,330. The basis of our assessment is 2% of gross operating expenditure. We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include: · Remuneration disclosures including any severance payments, exit packages and termination benefits · Related party transactions We carried out our work in accordance with our Audit Plan issued 26 January 2016 with the following amendments: · We have rebutted the risk of fraud in revenue recognition for fees, charges and other service income
Significant audit risks	We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan: · Risk of fraud in expenditure recognition in other service expenses · Risk of management override. The ‘addressing audit risks’ section of this report sets out how we have gained audit assurance over those issues
Other reporting issues	We have no other matters we wish to report.
Control observations	During the audit, we identified a number of observations and improvement recommendations in relation to management’s financial processes and controls. These are set out in the “Assessment of control environment” section of this report.

We would like to take this opportunity to thank the Council’s staff for their assistance during the course of our work.

Stephen Clark

Partner
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	· Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements · Reviewed accounting estimates for evidence of management bias; and · Evaluated the business rationale for any significant unusual transactions	From the testing carried out we have found no significant findings to report. Sufficient assurance has been obtained.
Risk of fraud in revenue and expenditure recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. We have rebutted this risk in all revenue streams. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. This risk manifest itself at the council in other service expenses.	· Reviewed and tested expenditure recognition policies; · Reviewed and discussed with management any accounting estimates on expenditure recognition for evidence of bias; · Developed a testing strategy to test material expenditure streams; and · Reviewed and tested cut-off at the period end date.	From the testing carried out we have found no significant findings to report. Sufficient assurance has been obtained.

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other Risks	Audit procedures performed	Assurance gained and issues arising
Pensions The Council participates in the Local Government Pension Scheme. The volatility in global investment markets and the associated impact on scheme surpluses/deficits creates a risk of failure to maintain a financially robust pension provision for employees	We have audited the assumptions used when accounting for pension obligations and related disclosures with support from our actuarial specialists.	We have obtained sufficient assurance and are satisfied that the pension disclosure in the financial statements is free from material misstatement.
Property Plant Equipment Valuation A significant proportion of the Councils balance sheet is in respect to Property Plant and Equipment	We have tested the revaluation cycle, including instruction and completeness of information provided by the valuer. We have reviewed the classification of assets and ensured that the correct valuation method has been applied. We have reviewed the approach adopted by the valuer and their findings.	Adjustments to the Revaluation Reserve within the FAR relating to write off of the revaluation reserve balances over the useful economic life of the asset had not been posted to the general ledger. The revaluation reserve has been misstated by £771k in 2015/16 and £356k in 2014/15. The council have adjusted this misstatement. There is no impact on the general fund.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest.

We wish to report the following matters:

- Our testing of payments made in April 2016 identified that some NDR appeal refunds were paid in April 2016 but were due by the council prior to the 2015/16 year end. The error identified by the audit team was approximately £906k. The council have agreed that this is an error and have made necessary amendments to the financial statements. There is no impact on the general fund.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Description	Impact
Revaluations of Investment Property	Testing of revaluations of Investment properties identified investment property assets which had not been revalued in the year. The CIPFA code states that all investment properties should be subject to annual revaluations unless the authority can demonstrate that the carrying value is not materially different from the Fair Value at that reporting date. We recommend the Council ensures that all Investment Properties are revalued on an annual basis as to be compliant with the CIPFA Code. Management have accepted this recommendation.
Fixed Asset Register (FAR)	A number of control recommendations were made during our systems and walkthrough testing of PPE. · The revaluations conducted by the professional valuer should be tracked against the original list of assets requested to be valued to ensure all assets are revalued. · A reconciliation should be undertaken between the list of the valuations from the professional valuer and the postings made to the FAR and similar reconciliations should be conducted for significant changes to the fixed asset register including reconciliations for postings of additions, disposals, and movements. · A formal reconciliation should be undertaken between the fixed asset register and the general ledger before and after the year end fixed asset postings have been made to the ledger. · Information on asset lives per the fixed the asset register should be updated and be consistent with other information, such as valuation reports.
Impairment Review	An impairment review had been conducted during the 2015/16 via confirmations from asset managers of any indicators of impairment. This review should be extended to include an assessment by the professional valuer for any indicators of impairments in the reporting period and any significant valuation changes in the reporting period that have not been captured by the formal annual valuation process.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

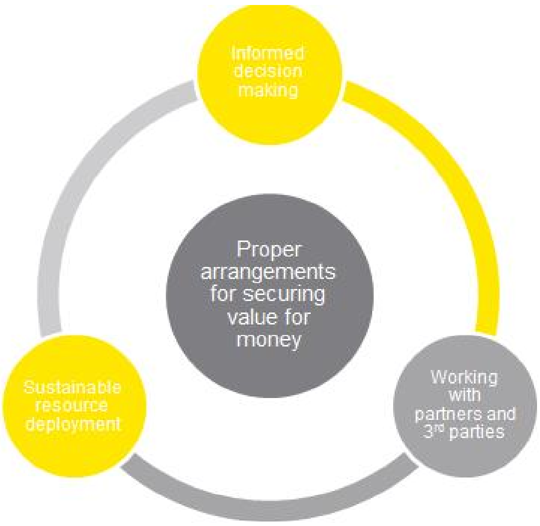
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix G.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Executive Board.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ► Take informed decisions;
- ► Deploy resources in a sustainable manner; and
- ► Work with partners and other third parties.

Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements. We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Uncorrected audit differences

We have not identified any uncorrected audit differences that we would like to report.

Appendix B – Corrected audit differences

The following corrected differences, which are greater than £41,143, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £k	Comprehensive income and expenditure statement Decrease / (Increase) £k
Short term creditors	(906)	
Short term debtors	544	
Collection fund adjustment account	362	
Unusable Reserves	(362)	
CIES		362
being the accrual for NDR Appeal Refunds notified to the council prior to the year end and paid in April 2016		
Revaluation Reserve	771	
Capital Adjustment Account	(771)	
being the correction to the revaluation reserve in 2015/16 for the write-off of revaluation reserve balances over the useful economic life of assets		
Short term creditors	(57)	
Short term debtors	57	
being a correction of the NDR arrears provisions split between the North Warwickshire Borough Council, Warwickshire County Council and Central Government after adjusting gross arrears for the £193k cash received at the year end		
Total Adjustment	(362)	362

Disclosures

Disclosure	Description of difference
PPE Note 10 - Gross Book Value and Accumulated Depreciation bought forward and carried forward	While there was no assessed impact on the net book value (NBV) of PPE, the bought forward and carried forward gross book value (GBV) and Accumulated Depreciation did not agree between the 2015/16 accounts and the balances held in the fixed asset register. The PPE note 10 b/f and c/f balances were therefore amended to agree to the balances held within the fixed asset register.
PPE Note 10 – Revaluation loss on assets under construction	A £122k revaluation loss on assets under construction had been disclosed in note 10 as reducing the Revaluation Reserve where it should have been to the CIES.
PPE Note 10 – Revaluation loss on assets under construction	A £27k impairment on Other Land and Buildings resulting in a reversal of depreciation had been disclosed in Note 10 as adjusting the CIES but should have been to the Revaluation Reserve.
PPE Note 10 – Revaluation of Assets Under Construction (AUC)	The PPE note 10 shows AUC assets revalued by £122k prior to reclassification to Council Dwellings. It has been proposed that this revaluation should be disclosed within the council dwellings column rather than shown as a revaluation of AUC. The corresponding disclosure amendment for 2014/15 is £999k.
Operating Leases Note 37	Note 37 disclosure shows the operating leases (where the council is a lessor) by the minimum lease payments in bands of future years. This disclosure required amendment to show the annual rentals in each year of the lease rather than disclosure of the annual lease solely in the final year of the lease.
Finance Leases Note 37	The finance lease minimum lease payments note 37 required amendments to correctly disclose the minimum lease payments between current and non-current categories.

Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Review of the final version of the financial statements	Final review of the amended financial statements post audit amendments	EY and management
Management representation letter	Receipt of signed letter of representation	Management and Executive Board
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Completion of Whole of Government Accounts audit procedures	Management and EY to work together to complete any outstanding work	EY and management
Review of Assurance letter from auditor of Warwickshire County Pension Fund	Receipt of letter from assurance letter from Pension Fund Auditor, expected early September	EY and management

Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 1 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Executive Board on 19 September 2016.

We confirm that we have met the reporting requirements to the Executive Board, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 1 March 2016.

Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	42,361	42,361	None noted
Certification of claims and returns	TBC	11,388	Work to be completed
Non-audit work	n/a	n/a	n/a

Our actual fee in in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix F – Draft audit report

Independent auditor's report to the members of North Warwickshire Borough Council

Opinion on the Authority's financial statements

We have audited the financial statements of North Warwickshire Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council Movement in Reserves Statement,
- Council Comprehensive Income and Expenditure Statement,
- Council Balance Sheet,
- Council Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement,
- Movement on the Housing Revenue Account Statement,
- Collection Fund and
- the related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of North Warwickshire Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Deputy Chief Executive Responsibilities set out on page 11, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Warwickshire Borough Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on North Warwickshire Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the North Warwickshire had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Warwickshire Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, North Warwickshire Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of North Warwickshire Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Stephen Clark
for and on behalf of Ernst & Young LLP, Appointed Auditor
Birmingham

Appendix G – Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the financial statements of North Warwickshire Borough Council ("the Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Warwickshire Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

• Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

• Additional information that you have requested from us for the purpose of the audit; and

• Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees [add the full title of the relevant committees] (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than………. described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Yours faithfully,

____

(Deputy Chief Executive)

____

(Chairman of the Executive Board)

Appendix H – Required communications with the Executive Board

There are certain communications that we must provide to the Audit Committee (Executive Board) of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about North Warwickshire Borough Councils ability to continue as a going concern for the 12 months from the date of our report.
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	Audit Results Report
Fraud ► Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	We have made enquiries of management. We have not becaome aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	We have not matters we wish to report.

Required communication	Reference
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	We have received all requested confirmations.
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Annual Audit Letter/Audit Results Report
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	Audit Plan Audit Results Report Annual Audit Letter
Certification work ► Summary of certification work undertaken	Certification Report

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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Agenda Item No 7

Executive Board

19 September 2016

Report of the Deputy Chief Executive

Financial Strategy 2017-2021

1 **Summary**

1.1 This report summarises the Authority's Financial Strategy, projects forward the Authority's General Fund budgets to 2020/21, and suggests a detailed budget approach for the 2017/18 General Fund Budget.

Recommendation to Council

a That the Financial Strategy shown as Appendix A is approved;

b That the General Fund budget projections for 2017/18 to 2020/21 be noted; and

c That the budget approach, set out in section 12 of this report, be adopted.

2 **Introduction**

. . .

2.1 The Council has adopted a clear financial strategy over a number of years, and this is attached as Appendix A to this report. There have been some major changes to the financial environment nationally in recent years, with the local retention of business rates, major reductions in Revenue Support Grant and the introduction of a local Council Tax Support scheme in place of a national Council Tax Benefit scheme. The strategy reflects the current financial pressures facing the Council.

2.2 A forecast of the General Fund Revenue Estimates has been completed for 2017/18 and the following three years, and is set out within the report. The figures are intended to indicate the position in broad terms only. More accurate ones will be produced during the forthcoming estimate process. Updated forecasts for Capital and the Housing Revenue Account will be reported separately, at a later date.

3 **Settlement Funding Assessment**

3.1 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. The 2016/17 Local Government Finance

Settlement set out the figures for 2016/17, together with indicative figures for the following three years.

3.2 An authority's settlement funding assessment is added to their council tax and then reduced by a given percentage to keep within the national control total. From this total the council's business rates baseline and council tax income are deducted to arrive at the level of RSG. In future years where an authority's entitlement to RSG is zero, increases to business rates tariffs are made in order to reduce the amount of income retained by an authority.

3.3 The government includes the Settlement Funding Assessment in calculating an authority's Core Spending Power. Figures provided for North Warwickshire are:

	2016/17	2017/18	2018/19	2019/20
NDR Baseline Funding	1.760	1.790	1.850	1.910
Tariff Adjustment	-	-	-	(0.110)
Revenue Support Grant	0.900	0.460	0.190	-
Sub-total - SFA	**2.660**	**2.250**	**2.040**	**1.800**
Council Tax	4.200	4.300	4.500	4.600
New Homes Bonus	1.000	1.000	0.600	0.600
Total	**7.860**	**7.550**	**7.140**	**7.000**

3.4 Indicative figures are not yet available for 2020/21, so the 2019/20 level of SFA has been assumed for 2020/21.

4 **Business Rates**

4.1 The Secretary of State announced a baseline funding level of £1.759 million for North Warwickshire from business rates in the 2016/17 Finance Settlement. As we are required to pay a business rate tariff of £14.649 million in 2016/17, we need our share of the business rates we collect (40%) to come to £16.408 million, in order to achieve this level of funding.

4.2 For 2017/18 the baseline funding assumed by the government will increase to £1.793 million (a 2% increase in line with RPI). This assumes that North Warwickshire's share of business rates is £16.730 million, and a tariff payment of £14.937 million will be required. The increase in business rates of £350,000 included in the 2016/17 budget is expected to continue until 2020/21 until the national re-set of business rates.

5 **New Homes Bonus**

5.1 The New Homes Bonus expected for 2016/17 has been used as a base for projecting grant income for the rest of the strategy period. Grant has then been scaled back from 2018/19 onwards, in line with the New Homes Bonus Consultation document issued by the Government.

6 Council Tax

6.1 In looking at the potential income from Council Tax, the likelihood of growth in the tax base is considered. The potential new build included in the Core Strategy for the Borough has been reviewed and it has been assumed that a proportion will be achieved. This has given a growth rate of 0.75% in the tax base, which has been used in projecting the income from Council Tax.

6.2 In general terms, an inflationary increase in Council Tax is built into the budget on an annual basis. In recent years the government have encouraged local authorities to freeze Council Tax, and have provided some grant to offset the loss of income. Grant support offered has varied from year to year, but has sometimes been time limited.

6.3 Decisions to freeze Council Tax has an on going and cumulative effect on the Council's financial position, and the impact of the decisions to freeze council tax in each year since 2011/12 has been calculated to the end of the current strategy period. This is detailed in Appendix B and shows that by March 2021, the Council Tax lost would amount to £4.361 million. As grant funding is limited to £1.340 million, the net funding foregone by the end of the strategy period will be in the region of £3.021 million. The annual income loss from 2017/18 onwards amounts to £451,000 per annum.

...

6.4 Going forward a £5 increase in Council Tax per annum, has been included in the forecast.

6.5 A local Council Tax Support scheme was implemented from April 2013, which had the effect of reducing the Council Tax base. Grant of 90% of the expected cost of the scheme was given to the Council in 2013/14 as part of Revenue Support Grant. A transitional grant was also received following the council's decision to limit Council Tax bills given to previous working age Council Tax benefit claimants to a maximum of 8.5% of their annual bill. The decision to retain the 8.5% reduction scheme for 2016/17 was taken, although the transitional grant did not continue. This approach has also been assumed for 2017/18 onwards.

7 Review of 2016/17

7.1 In order to update the strategy, a number of areas of both income and expenditure have been revisited. The 2016/17 original budget has been adjusted for the following changes:

	£000
Increased income on Borough Care and Arley Leisure Centre	(105)
Reduced pay award relating to 2016/17	(70)
Supplementary estimates	143
Increased costs in the refuse and recycling service	82
Additional insurance costs	30
Reduced borrowing costs	(125)
Total	**(45)**

7.2 The anticipated amount to be taken from balances is expected to reduce to £574,000, leaving an anticipated opening General Fund balance of £3,509,000 at 1 April 2017. This has been used as the revised starting point for the updated forecast.

8 **Budget Projections 2017/18 to 2020/21**

8.1 The 2017/18, 2018/19 and 2019/20 years have also been reviewed and a further year, 2020/21, has been forecast. In completing the forecast, a number of assumptions have been made, which are set out in Appendix A.

...

8.2 Premise and supplies and services costs have only been given an increase in alternate years in this strategy, in order to encourage efficiencies in procurement. These areas will be revisited in the more detailed work carried out as part of the budget process.

8.3 Growth has been included for additional insurance premiums. The forecast for each year includes a contingency sum.

8.4 The forecast has been summarised and is shown in the table below. The forecast anticipates balances of £1,338,000 at March 2021, if the assumed savings are made.

	2016/17 Revised £000	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Spending Requirement	**8,744**	**9,179**	**9,382**	**9,559**	**9,863**
Grant to Parish Councils	71	64	51	45	45
Savings 2017/18		(730)	(730)	(730)	(730)
Savings 2018/19			(500)	(500)	(500)
Savings 2019/20				(500)	(500)
Savings 2020/21					(550)
Net Expenditure	**8,815**	**8,513**	**8,203**	**7,874**	**7,628**
Council Tax	(4,147)	(4,280)	(4,413)	(4,549)	(4,686)
New Homes Bonus	(972)	(920)	(614)	(589)	(550)
RSG	(899)	(461)	(191)	-	-
Business Rates	(1,759)	(1,793)	(1,846)	(1,796)	(1,796)
Business Rates - Additional	(350)	(350)	(350)	(350)	(100)
Transition Grant	(21)	(21)	-	-	-
Collection Fund Surplus	(92)	(92)	(96)	(100)	(104)
Use of Balances	**575**	**596**	**693**	**490**	**392**
Balances C/fwd	**3,509**	**2,913**	**2,220**	**1,730**	**1,338**

9 Comparison to Previous Forecasts

9.1 The expected use of balances in the current forecast are compared with those estimated in the forecast produced last February, in the table below.

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Current Forecast	596	693	490	392
2016/17 Strategy to Board	497	594	641	
Difference	**99**	**99**	**-151**	

9.2 The main areas of difference between the February projection and the current figures in 2017/18 are:

- The increased costs incurred by the refuse and recycling service;
- An increase in insurance premiums;
- A fall in investment income; and
- The reduction in borrowing costs.

10 Savings

10.1 In order to manage the significant cuts expected in Revenue Support Grant, a further saving of £550,000 has been included in 2020/21. When added to the savings of £1.73 million included for the period 2016/17 to 2019/20, this gives a revised savings total of £2.28 million over the life of the strategy.

10.2 The total savings of £2.28 million over the 4 year forecast equates to a saving of around 7% of the net budget per annum. The authority has already made significant reductions in its budget over recent years, so taking out a further £2.28 million will be extremely challenging. Work is already in hand for identifying options for reducing net expenditure for both 2017/18 and subsequent years.

10.3 A decision to freeze Council Tax in 2017/18 would reduce resources by £100,792 in the year and in every year thereafter. This would amount to £407,725 over the current strategy period, as shown in Appendix B. The impact of this would be an increase in the savings that the Council would have to make to £600,000 in 2018/19, giving a revised total of £2.380 million.

10.4 In the event that no increases in Council Tax are approved during the strategy period, balances at the end of the period would fall from £1.338 million to £0.322 million, as shown below.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Use of Balances	596	693	490	392
Loss of Council Tax	101	202	305	408
Revised Use of Balances	**697**	**895**	**795**	**800**
Balances C/fwd	**2,812**	**1,917**	**1,122**	**322**

Savings in each of the four years would need to increase by around £100,000 to keep balances at around the £1.3 million level. This would increase the savings required to £2.68 million.

10.5 Keeping to the strategy is dependent on savings being achieved to target in each of the years covered. The current forecast also indicates that further savings will be required in 2020/21 and beyond, as expenditure continues to be partly funded through the use of balances each year. The difficulty in finding savings has become greater over time, and this will only increase in the future.

11 **Potential Risk Areas**

11.1 In preparing this forecast, a number of assumptions have been made and these have been set out in section 8 of this report. Clearly, should these assumptions not materialise, there will be an impact on the figures. The main risk areas for this forecast are:

- **Settlement Funding Assessments** – indicative figures received for 2017/18 onwards are still to be confirmed.
- **Business Rates** – the local retention of business rates from April 2013 has brought uncertainty around the level of funding to be received on an annual basis. An unusually high rate of successful appeals could result in the council receiving less income than expected. There is also the possibility that the Council could collect more business rates than anticipated.
- **New Homes Bonus** – The strategy assumes 160 new properties per annum. If fewer are delivered, New Homes Bonus will reduce and the tax base will be less buoyant. On the other hand, an increase above 160 will be beneficial. There is the additional risk that the system is to be changed, so the current indicative figures are still to be confirmed.
- **Investment Income** – although interest rates have been predicted using professional advice, financial markets can vary significantly over time.
- **Salary Increases** – higher pay awards than included in the forecast would have an impact, given the relative size of the payroll
- **Council Tax Support** – increases in take up will directly increase the costs of the Council. There are also risks around the non collection of Council Tax, from those who have not previously been required to contribute.

- **Housing Benefit Administration Grant** – the reduction of 7% predicted for 2017/18 has been used for the further years of the strategy.
- **Reduced Income** –a loss of service income is always a possibility in the current economic position.
- **Growth in the Borough** – if new homes and estates are delivered in line with expectations, there will be a significant impact on some council services, for example, refuse and recycling and grounds maintenance. An assessment of the additional resources required will be needed.

11.2 The potential impact of an improved or worse position for all four years of the forecast are shown in Appendix C (savings of £2.28 million are included in each of the options). The increased use of balances / contribution to balances are summarised below:

Year	Worse Case £000	Most Likely Case £000	Best Case £000
2017/18	1,032	596	297
2018/19	1,166	693	266
2019/20	1,090	490	(16)
2020/21	1,027	596	(193)

Changes in a small number of areas can materially impact on the expected use of balances in all of the years covered. These could affect the level of savings required either favourably or adversely.

11.3 If the best case scenario occurred, the council would be able to reduce the savings currently included within the strategy from £2.28 million to £1.58 million and achieve the same level of balances at the end of 2020/21.

11.4 If the worst-case scenario occurred there would be an additional call on balances. As the balances at 1 April 2017 are expected to be £3,509,000, the Council could manage the worst case into 2019/20 if needed. However further savings of £1.1 million would be needed in 2019/20, to ensure that balances were at an acceptable level at the end of 2020/21. Finding the additional savings earlier would mean the total savings required during the life of the strategy would reduce.

12 Budget Approach 2017/18

12.1 As mentioned earlier, a number of areas have already been identified as potential savings, and these are in the process of being reviewed.

12.2 A firm stance should be taken in order to limit the level of growth approved in 2017/18, as any further expenditure will increase the need to draw from balances. Only growth that cannot be statutorily avoided, makes a significant contribution to moving forward the Council's priorities, or would expose the Council to an unacceptable level of risk should the expenditure not be incurred, should be approved. A prioritisation exercise on growth based around these three main criteria should be used.

13 Conclusion

13.1 The Council could be faced with savings ranging from £1.58 million to £3.38 million. The updated strategy includes savings of £2.28 million over the next four years.

13.2 It is unlikely that all of the main risk areas will materialise at the same time, in any of the years highlighted above. The main areas of concern included in the risks around the financial position of the Council, are that of Revenue Support Grant and Business Rates.

14 Report Implications

14.1 Finance and Value for Money Implications

14.1.1 As detailed in the body of the report.

14.2 Environment and Sustainability Implications

14.2.1 Continuing the budget strategy will allow the Council to manage its expected shortfall in resources, without disruption of essential services.

14.3 Equality Implications

14.3.1 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts.

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

MEDIUM TERM FINANCIAL STRATEGY 2017/18 – 2020/21

1 Introduction

1.1 The purpose of the Financial Strategy is to set out the broad financial framework that the Council will operate within, during the next four financial years. A four-year period has been used, as this permits reasonably robust financial forecasts to be produced. A longer period would require more speculative forecasts. However changes to the external funding regime have increased the uncertainty over the resources available to the Council during the strategy period.

1.2 By using a medium term approach, the Council can ensure that financial and service decisions can be taken in a structured and proportionate way. Short-term policies are not adopted without identifying what the medium term implications of those decisions are.

1.3 The strategy covers all revenue and capital activity, although some individual sections may be specific to a particular type of spending only. Areas covered are:

- **General Fund Activities** – these are the majority of the day to day activities carried out by the Council, such as refuse collection and the payment of benefits
- **Housing Revenue Account Activities** – these relate to the management and maintenance of the Council's housing portfolio
- **Capital Spending** – this is spending that provides benefits over a period of 12 months, such as the purchase of vehicles or equipment

2 Linking Resources With Corporate Priorities

2.1 The Council has identified a number of priorities and these are given in its Corporate Plan. In arriving at the priorities, external influences are taken into account, including the aims of the Local Strategic Partnership (LSP). Other factors such as legislative changes and reward incentives are also considered.

2.2 The Corporate Plan and associated Financial Strategy are reviewed and updated on an annual basis, before the start of each new financial year. A further review of the Financial Strategy is also carried out part way through the year, to ensure that changing circumstances are taken into account in carrying out the full review.

2.3 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add known unavoidable spending pressures. This is then measured against the projection of available funding to determine affordability. The package of measures required to balance the two form the financial strategy for the budget year.

3 Economic Forecast

3.1 Both general inflation and specific areas of increase affect the spending of the Council. There are two main indices for measuring household inflation: the Consumer Price Index (CPI) and the Retail Price Index (RPI). The Council reviews these indices when it is assessing the level of inflation to be included in its financial strategy. However the Council may choose to use a lower general rate in some areas, where it wishes to encourage efficiencies.

3.2 Specific areas of increase are considered separately and individual rates of increase used to reflect prevailing market conditions, where they are significantly different to the general rate of inflation. These are assessed on an annual basis and depending on economic conditions, may include:

- Employee costs – pay awards and pension costs;
- fuel and energy costs;
- investment rates.

3.3 The assumptions used in the latest forecasts are given below:

Cost / Income Type	2017/18	2018/19	2019/20	2020/21
Pay awards	1%	2%	2%	2%
Superannuation rates	16.05%	16.8%	17.55%	17.55%
Agency staff	2%	2%	2%	2%
Business Rates	2%	2%	2%	2%
Utilities	2%	2%	2%	2%
Other premise costs	2%	0%	2%	0%
Supplies and services	2%	0%	2%	0%
Rent Allowances	4%	4%	4%	4%
Rent Rebates	-1%	-1%	-1%	2%
Housing Benefit Administration Grant	-7%	-7%	-7%	-7%
Reduction in RSG/NDR	-16%	-10%	-11%	0%
Council Tax	£5	£5	£5	£5
Income	2%	2%	2%	2%

4 Demographic Factors

4.1 Demographic factors can affect the Council's planning in a number of ways:

- Changes in the number and value of households can affect the tax base used in calculating Council Tax
- The characteristics of the population, and households, influences the type of services provided
- The level of demand for services can be affected by changes in either of the above.

4.2 The population of the Borough currently stands at 62,300 and has been subject to little change over recent years. The Financial Strategy has assumed this will continue over the medium term.

4.3 The Council Tax Base has remained fairly consistent over a number of years, with only small increases. Following a review of the potential new build in the area identified in the Core Strategy, the Financial Strategy has assumed an increase of 0.75% in the tax base on an annual basis, although there will be some movement depending on the Council Tax Support scheme adopted.

5 General Fund Activities

5.1 Settlement Funding Assessment

5.1.1 Central government provides funding to local authorities for their General Fund activities through the Settlement Funding Assessment system. The government decides on the funding to be allocated to Local Government on a national basis, and then allocates this funding between authorities using a formula calculation.

5.1.2 Indicative figures have been received for 2017/18, 2018/19 and 2019/20. Figures are not yet available for 2020/21, so our latest projection has assumed the same total as 2019/20.

5.1.3 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. As the Business Rates element is fixed, other than for inflationary increases, any reduction in the Settlement Funding Assessment is taken out of Revenue Support Grant.

5.2 Business Rates

5.2.1 From April 2013, local authorities retain a proportion of the business rates they collect. The Secretary of State announced a baseline funding level of £1.759 million for North Warwickshire in the 2016/17 Finance Settlement. As we are required to pay a business rate tariff of £14.649 million in 2016/17, we need our local share of business rates to come to £16.408 million, in order to achieve this level of funding.

5.2.2 Business rates, including the tariff payable, will be increased by inflation each year. If the business rates in our area fall due to business closures or rating appeals, we may not achieve our baseline funding level. This would impact on our financial forecasts, reducing the level of balances we hold. The operation of a national safety net system would provide provision when the Authority's baseline funding fell by 7.5%. If additional business rates are collected, they are allocated 50% to the government, 10% to Warwickshire County Council, and 40% to this Council. We are required to pay a levy of 50% on the additional rates retained by this Council.

5.2.3 The Council chose to become a member of the Coventry and Warwickshire Business Rates Pool. This Local Pool agreed a safety net provision at a 5% loss of baseline funding, which would benefit the Council in the event that business rates fall. If business rates increase, the Pool will have a lower levy rate than the Council, of around 17%, allowing the Pool to keep more of the increase.

5.3 Council Tax Base

5.3.1 The Council's tax base reduced significantly in 2013/14, following the introduction of a local Council Tax Support scheme, in place of the previous national Council Tax Benefit system. The scheme requires some residents to pay council tax, who previously had no liability. The Government offered councils a transitional grant in 2013/14, if they restricted the maximum payment by previous Council Tax Benefit claimants to 8.5% of their council tax bill. The Council opted to take the transitional grant and also revisited the collection rate, which was revised downwards to 98%.

5.3.2 The transitional grant was for 2013/14 only, so the Council needed to agree a Council Tax Support scheme for 2014/15 onwards. The decision was taken to retain the maximum payment required at 8.5% in 2014/15 although there was no grant to offset the cost to the Council. This decision has been revisited on an annual basis since then and has remained at 8.5%.

5.3.3 Although the Council usually exceeds its target collection rate, a small margin for non-collection allows some room for other variations during the year. Any additional funds are then distributed in the following year.

5.4 Council Tax

5.4.1 The Council attempts to balance the need for retaining an affordable council tax, with the retention of services. This is increasingly difficult with current financial constraints, including the pressures of government funding levels, limited income raising opportunities, economic pressures and rising expectations. Council policy is to keep council tax rises at, or below, inflation.

5.4.2 Recent decisions to freeze council tax have had an on going and cumulative effect on the Council's financial position. Grant funding received towards tax freezes have generally been time limited, whereas the tax base is reduced permanently. The current forecast has assumed a council tax increase of £5 per annum going forward.

5.4.3 The government have brought in a requirement for proposed increases above the maximum increase of £5 to be subject to a local referendum.

5.5 Fees and Charges

5.5.1 The Council has tended to increase fees and charges for inflation, on an annual basis. Any other changes have tended to be on an ad hoc basis. Demand for some services has changed as a result of changes in the economic situation. This will be taken into consideration in the review of fees and charges during the detailed work in the 2017/18 budget.

5.5.2 The Council has recently taken the decision to introduce charging for the Borough Care service, and this will be commence part way through the current financial year. The ability to generate income from other areas will be reviewed as part of the ongoing savings exercise.

5.6 Growth Areas

5.6.1 Given the Council's existing financial constraints, a strong approach is taken with growth areas. In general terms, growth will be allowed if one of the following conditions is met:

- **Statutory Need.** Where the Council needs to spend resources in order to comply with statutory requirements
- **Invest to Save.** Where services can demonstrate that an initial outlay will generate additional income or reduced costs in the future, an advance from an earmarked reserve held for this purpose will be made.
- **External Funding.** Services are encouraged to look for external funding to support service development and enhancement. However the impact of ongoing costs against potential one off funding is always considered.
- **Efficiencies.** The Council looks for efficiencies in service provision, to contribute to savings targets, or reallocate resources to other priorities.

5.6.2 The Council may use financial savings identified to fund general growth areas, where these are not needed to maintain balances. Growth bids are assessed according to their contribution to Council priorities, the ability to obtain external funding and their contribution to the management of risk.

5.7 Approach to Savings

5.7.1 The Authority includes the requirement to find savings in its financial strategy. However whilst unidentified savings are built into financial projections over the medium term, only identified savings are included in the detailed budget put forward for approval for the coming financial year. This is part of the management of financial risks, and gives greater assurance around the approved budget, and the medium term position.

5.7.2 As the council looks for specific savings in advance of setting the budget for the following year, work on finding savings for 2017/18 will be carried out in 2016 during the production of that budget. Only those found will be included. Where possible the savings will be brought in earlier, during 2016/17, as this will give a beneficial impact on balances. The savings target for 2017/18 is £730,000. If the savings target is not found, this will be reflected in the financial strategy for future years.

5.7.3 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts.

5.8 General Fund Balances

5.8.1 One of the Council's aims is to have a balanced budget. However this does not require a balanced budget in each financial year, the aim is to ensure that services are adequately funded over the medium term.

5.8.2 The current policy for general balances is to retain minimum working balances of £1.3 million on the General Fund. The risk assessments, which support these requirements, are updated on an annual basis as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks.

5.9 Budget Process

5.9.1 The budget process operates throughout the year, with the budget strategy updated twice per year. The financial forecast produced in September provides the context for the more detailed four year budget approved in February, as part of the Council Tax Setting process.

5.9.2 In the event of potentially significant changes to the Council's financial position, the Deputy Chief Executive will assess whether additional updates of the financial strategy are needed.

5.10 Budget Consultation

5.10.1 The Council consults on how it spends its resources on an annual basis. A meeting with business ratepayers is held every year, whilst other consultation is carried out periodically. For example:

- paper questionnaires to recipients of North Talk
- focus groups involving participants from members of the citizens panel
- electronic questionnaires on the website
- specific consultation exercises eg. Council Tax Support

6 Housing Revenue Account

6.1 General Balances on the Housing Revenue Account

6.1.1 The Council aims to have a balanced budget on the Housing Revenue Account. Again this does not require a balanced budget in each financial year, the aim is to ensure that services are adequately funded over the medium term.

6.1.2 The current policy for general balances is to retain minimum working balances of £750,000 on the Housing Revenue Account. The risk assessment, which supports this requirement, is updated annually as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks. Given the greater risks that will be faced by the council as a result of welfare reform, an increased requirement to hold general balances is expected.

6.2 Housing Business Plan

6.2.1 To ensure the continued management and maintenance of North Warwickshire's housing stock, both Members and officers need to take decisions on a long term basis. For example, we need to build up surpluses to fund the capital expenditure needed later in the Business Plan. The impact of decisions taken is fundamental to the sustainability of the Business Plan.

6.2.2 The Business Plan currently assumes that the authority continues to increase rents in line with government policy. This includes the impact of a recent change in national rent policy which required a 1% reduction in rents in 2016/17 and the following three years. Rent increases then revert to CPI + 1% per annum.

6.2.3 Further detail around the management and maintenance of the Council's housing stock is given in the Housing Business Plan. The Business Plan will be updated once further information on the proposed levy on high value voids is known.

7 Capital Programme

7.1 Capital Funding

7.1.1 The Council projects its expected resources over both a three and ten-year period. These include receipts from the sale of council assets, revenue funding used to support capital expenditure and anticipated contributions from third parties. Funding from the government is also considered. Specific grant of 60% is received towards the cost of Disabled Facility Grants, up to a maximum allocation.

7.1.2 Given its restricted resources, the council prioritises capital schemes, to enable it to carry out all essential spending.

7.1.3 There are still some funding issues which need to be addressed in the longer term, and other funding options will be considered in future updates of the Capital Strategy. The Capital Strategy gives further detail on the allocation of capital funding.

7.2 Interaction between Revenue and Capital Spending

7.2.1 Many capital schemes will impact on the revenue budget. This may be due to ongoing maintenance costs which are incurred following the acquisition of an asset, or may be related to the cost of repaying loans taken out to finance capital expenditure, or the loss of investment income if internal loans are used.

7.2.2 In assessing bids put forward for inclusion in the capital programme, the impact of capital spending on the revenue budget is examined.

8 Efficiency Agenda

8.1 All councils are required to demonstrate Value for Money. The Council doesn't set targets for individual services, as it recognises that efficiency savings can take longer to generate in some services.

8.2 Officers look for efficiencies in order to assist in achieving the savings required as part of the financial strategy. In addition systems thinking reviews are carried out on individual services and procurement activity is monitored.

9 Treasury Management

9.1 This is the management of the Local Authority's cash flows: its banking, money market and capital market transactions. The Council has adopted a Treasury Management and Annual Investment Strategy, which sets out a framework for its activity in these areas. The current Strategy aims to minimise risk by putting greater emphasis on security and liquidity. Once risk has been minimised, the Council will maximise performance wherever possible, within existing controls.

9.2 As highlighted in the Treasury Management Strategy, the Council has a borrowing requirement of £69 million. The HRA has external borrowing of £53 million, whilst the General Fund has internal borrowing of £16 million. Internally borrowed funds come from earmarked reserves held for future revenue and capital spending. As these resources are used, there will be a need for further external borrowing.

9.3 The government have imposed a cap on an authority's total housing borrowing. The Council is currently below its cap.

9.4 The Council has internal funds in excess of those needed to cover the internal loans. These are invested on the money market and generate investment income for both the General Fund and the Housing Revenue Account. The cash fund portfolio is managed internally, with advice from Capita, the Council's treasury management consultants.

10 Earmarked Reserves

10.1 The Council holds a number of reserves that have been earmarked for specific revenue and capital purposes. Earmarked reserves are used to hold:

- Funding received in advance for specific initiatives;
- Funding set aside for specific services, where the timing of demand can vary;
- Funding set aside for the future replacement of assets or other capital expenditure;
- Funding held to enable the Council to manage specific risks; and
- Funding where work has been delayed.

10.2 For the majority of earmarked reserves, there is little or no risk to the financial standing of the Council. Reserves set up to manage timing differences or hold funding received in advance match expenditure to the income available. Reserves held to allow risks to the base budget to be managed are estimated using the best available information.

11 Risk Management

11.1 The Council has a Risk Management strategy in place which it uses to manage all of its risks, including financial risks.

11.2 A system of risk management has been established, which is operated by all services. This ensures that if there are significant changes in the level of risk to the Council from new legislation, or policy changes, they are considered and reported to Board. Any significant increase in financial risks will therefore be addressed during the year, if this is necessary.

11.3 In addition, the financial risks of individual services are considered during the budget preparation process by Service Boards, along with the related budgets. Annual risk assessments are undertaken on the level of balances for the General Fund and the Housing Revenue Account and considered at the same time as the budgets. This ensures that all current issues are included.

11.4 To assist with highlighting the impact of the potential risks, the major risks are assessed on differing risk levels, and these are included in reports to Board.

IMPACT OF COUNCIL TAX FREEZES IN 2011/12, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17

APPENDIX B

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21		Total
Grant Income - 2011/12 CT freeze		-111,746	-96,437	-87,372	-74,965	-62,521	-51,017	-42,140	-37,589	-32,402	-32,402		-628,589
Grant Income - 2012/13 CT freeze			-112,220										-112,220
Grant Income - 2013/14 CT freeze				-44,650	-38,310	-31,950	-26,071	-21,535	-19,209	-16,558	-16,558		-214,842
Grant Income - 2014/15 CT freeze					-44,850	-37,405	-30,522	-25,212	-22,489	-19,385	-19,385		-199,248
Grant Income - 2015/16 CT freeze						-44,850	-36,598	-30,230	-26,965	-23,244	-23,244		-185,129
Grant Income		**-111,746**	**-208,657**	**-132,022**	**-158,125**	**-176,726**	**-144,208**	**-119,116**	**-106,252**	**-91,589**	**-91,589**		**-1,340,029**
Loss of CT 2011/12		134,012	136,003	120,040	121,389	123,588	125,608	126,550	127,499	128,455	129,419		1,272,563
Loss of CT 2012/13			92,539	81,678	82,596	84,092	85,467	86,108	86,753	87,404	88,060		774,696
Loss of CT 2013/14				83,312	84,247	85,774	87,176	87,830	88,488	89,152	89,821		695,800
Loss of CT 2014/15					85,932	87,489	88,919	89,586	90,258	90,935	91,617		624,738
Loss of CT 2015/16						87,008	88,430	89,094	89,762	90,435	91,113		535,842
Loss of CT 2016/17							90,155	90,831	91,512	92,198	92,890		457,586
Loss of CT 2017/18								0	0	0	0		0
Loss of CT 2018/19									0	0	0		0
Loss of CT 2019/20										0	0		0
Loss of CT 2020/21											0		0
CT Lost		**134,012**	**228,542**	**285,030**	**374,164**	**467,952**	**565,755**	**569,998**	**574,273**	**578,580**	**582,919**		**4,361,225**
Net Revenue Impact		**22,266**	**19,885**	**153,008**	**216,039**	**291,226**	**421,546**	**450,882**	**468,021**	**486,991**	**491,331**		**3,021,196**

POTENTIAL IMPACT OF AN ADDITIONAL COUNCIL TAX FREEZE IN 2017/18

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21		Total
Grant Income - 2011/12 CT freeze		-111,746	-96,437	-87,372	-74,965	-62,521	-51,017	-42,140	-37,589	-32,402	-32,402		-628,589
Grant Income - 2012/13 CT freeze			-112,220										-112,220
Grant Income - 2013/14 CT freeze				-44,650	-38,310	-31,950	-26,071	-21,535	-19,209	-16,558	-16,558		-214,842
Grant Income - 2014/15 CT freeze					-44,850	-37,405	-30,522	-25,212	-22,489	-19,385	-19,385		-199,248
Grant Income - 2015/16 CT freeze						-44,850	-36,598	-30,230	-26,965	-23,244	-23,244		-185,129
Grant Income		**-111,746**	**-208,657**	**-132,022**	**-158,125**	**-176,726**	**-144,208**	**-119,116**	**-106,252**	**-91,589**	**-91,589**		**-1,340,029**
Loss of CT 2011/12		134,012	136,003	120,040	121,389	123,588	125,608	126,550	127,499	128,455	129,419		1,272,563
Loss of CT 2012/13			92,539	81,678	82,596	84,092	85,467	86,108	86,753	87,404	88,060		774,696
Loss of CT 2013/14				83,312	84,247	85,774	87,176	87,830	88,488	89,152	89,821		695,800
Loss of CT 2014/15					85,932	87,489	88,919	89,586	90,258	90,935	91,617		624,738
Loss of CT 2015/16						87,008	88,430	89,094	89,762	90,435	91,113		535,842
Loss of CT 2016/17							90,155	90,831	91,512	92,198	92,890		457,586
Loss of CT 2017/18								100,792	101,548	102,309	103,077		407,725
Loss of CT 2018/19									0	0	0		0
Loss of CT 2019/20										0	0		0
Loss of CT 2020/21											0		0
CT Lost		**134,012**	**228,542**	**285,030**	**374,164**	**467,952**	**565,755**	**670,790**	**675,821**	**680,889**	**685,996**		**4,768,951**
Net Revenue Impact		**22,266**	**19,885**	**153,008**	**216,039**	**291,226**	**421,546**	**551,674**	**569,569**	**589,300**	**594,407**		**3,428,922**

Increase in Net Revenue Impact for Council Tax Freezes in 2017/18	**407,725**

APPENDIX C

Potential Use of Balances

Best Case

	2016/17 Revised £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Estimated Use of Balance	**575**	**596**	**693**	**490**	**392**
An increase in New Homes bonus		(60)	(120)	(180)	(240)
Increased tax base (new homes)		(19)	(37)	(56)	(75)
Sustained improvement in planning income		(100)	(100)	(100)	(100)
Improvement in other service income		(30)	(30)	(30)	(30)
Additional surplus in the Collection Fund			(50)	(50)	(50)
Pay awards continue at 1%		(70)	(70)	(70)	(70)
Additional staff vacancies		(20)	(20)	(20)	(20)
Potential Use of / (Cont to) Balances	**575**	**297**	**266**	**(16)**	**(193)**
Balances at Year End	**3,509**	**3,212**	**2,946**	**2,962**	**3,155**

Worst Case

	2016/17 Revised £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Estimated Use of Balance	**575**	**596**	**693**	**490**	**392**
Business rate income at safety net		134	138	142	146
Reduction in New Homes Bonus funding		30	60	90	120
Additional 1% on the pay award in 2018/19				90	90
Additional recycling costs		50	50	50	50
Planning income is not sustained		100	100	100	100
Reduction in service income		30	30	30	30
Inflation is 1% higher than assumed		92	95	98	99
Potential Use of / (Cont to) Balances	**575**	**1,032**	**1,166**	**1,090**	**1,027**
Balances at Year End	**3,509**	**2,477**	**1,311**	**221**	**(806)**

Agenda Item 8

Executive Board

19 September 2016

Report of the Assistant Director (Finance and Human Resources)

Budgetary Control Report 2016/17 Period Ended 31 August 2016

1 **Summary**

1.1 The report covers revenue expenditure and income for the period from 1 April 2016 to 31 August 2016. The 2016/2017 budget and the actual position for the period, compared with the estimate at that date, are given, together with an estimate of the out-turn position for services reporting to this Board.

> **Recommendation to Council**
>
> **To consider if any further information is required.**

2 **Consultation**

2.1 Councillors Humphreys, D Wright and A Farrell have been sent an advanced copy of this report for comment. Any comments received will be reported verbally at the meeting.

3 **Introduction**

3.1 Under the Service Reporting Code of Practice (SeRCOP), services should be charged with the total cost of providing the service, which not only includes costs and income directly incurred, but also support costs relating to such areas as finance, office accommodation, telephone costs and IT services. The figures contained within this report are calculated on this basis.

4 **Overall Position**

4.1 Net expenditure for those services that report to the Executive Board as at 31 August 2016 is £245,905 compared with a profiled budgetary position of . . . £247,472; an under spend of £1,567. Appendix A to this report provides details of the profiled and actual position for each service reporting to this Board, together with the variance for the period.

4.2 Where possible, the budget to date figure has been calculated with some allowance for seasonal variations, in order to give a better comparison with actual figures.

5 **Risks to the Budget**

5.1 The key risk to the budgetary position of the Council from services under the control of this Board is that the Emergency Planning budget of £5,790 may be insufficient to cover the costs of any major local emergency.

6 **Estimated Out-turn**

6.1 Members have requested that Budgetary Control Reports provide details on the likely out-turn position for each of the services reporting to this Board. The anticipated out-turn for this Board for 2016/17 is £580,330, the same as the Original Budget.

6.2 The figures provided above are based on information available at this time of the year and are the best available estimates for this board, and may change as the financial year progresses. Members will be updated in future reports of any changes to the forecast out turn.

7 **Report Implications**

7.1 **Finance and Value for Money Implications**

7.1.1 The Council's budgeted contribution from General Fund balances for the 2016/17 financial year is £747,970. Income and Expenditure will continue to be closely managed and any issues that arise will be reported to this Board for comment.

7.2 **Environment and Sustainability Implications**

7.2.1 The Council has to ensure that it adopts and implements robust and comprehensive budgetary monitoring and control, to ensure not only the availability of services within the current financial year, but in future years.

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

APPENDIX A

North Warwickshire Borough Council

Executive Board

Budgetary Control Report 2016/2017 as at 31 August 2016

Description	Approved Budget 2016/2017 £	Profiled Budget August 2016 £	Actual August 2016 £	Variance £	Comments
Housing Strategic Service Review	32,850	13,688	13,688	0	
Outreach and Access to Services	122,400	54,208	54,756	548	
Corporate Communications	61,650	28,147	28,026	(121)	
Community Strategy	132,630	55,263	54,646	(617)	
Emergency Planning	39,740	16,559	15,146	(1,413)	
N.Warks Local Development Framework	190,400	79,333	79,368	35	
Support to Parishes	660	275	275	0	
Total Expenditure	**580,330**	**247,472**	**245,905**	**(1,567)**	

Agenda Item No 9

Executive Board

19 September 2016

Report of the Deputy Chief Executive

Appointment of External Auditors

1 **Summary**

1.1 The appointment of the Council's current auditors ends at the end of 2017-18, it will therefore be necessary to appoint new auditors for the 2018-19 financial audit and beyond. An appointment will need to be completed by December 2017.

Recommendation to the Council **That the Council agrees to join the national scheme.**

2 **Introduction**

2.1 Until now the Council's external auditors have been appointed by the Audit Commission, however, the Local Audit and Accountability Act 2014 abolished the Audit Commission. The Act sets out a framework which requires authorities to appoint their own auditors for a maximum period of five years.

2.2 Authorities have some flexibility around how they appoint their auditors and they can:

- Do it themselves;
- Join with other bodies;
- Take advantage of a national collective scheme.

2.3 When appointing an auditor, the Council will have to take into consideration the advice of an independent auditor panel, which must consist of a majority of independent Members with an independent Chair.

2.4 If the Council were to follow the first option, then we would need to establish our own auditor panel. It would not be necessary with other alternatives.

2.5 Public Sector Audit Appointments Ltd (PSAA), a company established by the Local Government Association (LGA), is developing a national option and has been designated by the Department of Communities and Local Government (DCLG), to operate a collective scheme for auditor appointments. PSAA is a not for profit company, which already administers the current audit contracts. The LGA are strongly supportive of this aim and over two hundred authorities have already signalled their positive interest.

2.6 PSAA is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. They are confident they can create a scheme which delivers quality assured audit services to every participating local body at a price which represents outstanding value for money.

2.7 There are a number of benefits in joining a national scheme:

- The Council does not have the capacity to run its own procurement process;
- It avoids the necessity of establishing our own auditor panel;
- A national scheme is likely to be more competitively priced; and
- There are doubts whether an individual small district council would be attractive to the best audit suppliers.

2.8 PSAA will be looking for authorities to give firm commitments to join the scheme during Autumn 2016.

3 Report Implications

3.1 Finance and Value for Money Implications

3.1.1 Joining a national scheme should result in a lower audit fee than individual purchase.

The Contact Officer for this report is Chris Brewer (719259).

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

Agenda Item No 10

Executive Board

19 September 2016

Report of the
Deputy Chief Executive

Needs and Redistribution of Funding

1 **Summary**

1.1 The Government has issued a consultation paper on the assessment of relative spending needs for local authorities. The consultation closes on 26 September 2016. This report summarises the consultation and attaches a draft response.

Recommendation to the Council
That the draft consultation response is agreed.

2 **Introduction**

2.1 The assessment of the relative spending needs of local councils is a fundamental part of the reforms to business rates. It will determine the baseline amount of business rates an authority will keep under the updated Business Rate Retention scheme. The Government wants to give local government every opportunity to consider the best approach to measuring their relative needs, prior to having a new mechanism in place in time for the introduction of 100% business rates retention by the end of the current Parliament. They have issued a consultation on needs and redistribution of funding, which can be found at:

www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention

3 **Grant Distribution System**

3.1 In 2013-14, the grant system for districts was calculated as follows:

- Relative need and central allocation – relative resource = Government funding;
- Relative need was based on a formula that took into account things like population, density, sparsity and deprivation, this was then scaled back to a pre-determined control total;

- Central allocation was a fixed sum to reflect the cost of being in business; and
- Relative resource reflected the income a council was able to raise locally via Council tax.

4 **Measuring Relative Need**

4.1 The most recent system of measuring relative spending need has relied on an increasingly complex formula, in an attempt to capture as many possible factors that may have an influence on local government spending. Whilst having a simpler formula would make it easier for councils to explain their funding to stakeholders and would be simpler to update, it would lead to a less nuanced distribution between authorities.

4.2 In the past, historic spending on services has been used as the best available proxy of their need to spend on services. However, this approach has been criticised by some authorities stating that this technique leads to a self-fulfilling outcome, whereby the highest spending authorities are assumed to need the most income, which allows them to remain the highest spending. The consultation states that not using previous patterns of expenditure may lead to a more equitable distribution of funding for all councils.

4.3 This approach has resulted in shire areas receiving less funding per head than metropolitan areas with the result that council taxes in shire areas are higher than metropolitan ones.

5 **Growth in Local Taxes**

5.1 When distributing resources, Government takes into account the ability of authorities to raise their own resources. Since the introduction of Business Rates Retention in 2013-14, authorities have seen growth in their council tax and business rates bases. There is, therefore, a question whether this growth should be taken into account when assessing the resources available to a council.

5.2 Allowing councils to retain this growth incentives them and enables them to build it into budgets to support services. However, it reduces the overall amount of funding available and might disadvantage those authorities whose local tax growth has not kept up with their demand for services.

5.3 Since 2013-14, this council's council tax base has grown by 4.6% due to additional properties and reductions in council tax support, compared to a national increase of 6.2%. The council has included £350,000 of business rates growth in its budget.

6 **Transition to a New System**

6.1 It is inevitable when a new funding system is introduced that there will be winners and losers. In the past, Government have limited the changes in an individual authority's income by ensuring no authority's income could change by more than a set percentage each year. However, this results in councils never getting the level of income the grant system produces and councils have questioned the value of having a needs assessment when the end result is substantially adjusted. The consultation asks whether phasing in changes over a fixed period would be better.

7 Geographical Level of Need

7.1 Currently, needs are assessed at individual authority level. The consultation asks whether funding should be allocated to larger geographical areas and then let the councils within that area decide the distribution.

8 Report Implications

8.1 Finance and Value for Money Implications

8.1.1 These are set out in the main body of the report.

The Contact Officer for this report is Chris Brewer (719259).

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

APPENDIX A

DRAFT RESPONSE TO CONSULTATION

1. **What is your view on the balance between simple and complex funding formulae?**

   The formula should distribute resources to where they are most needed. Fairness should be the primary objective. If distribution can be achieved through a simpler approach, that would be welcome, but not at the expense of fairness.

2. **Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?**

   No comment.

3. **Should expenditure based regression continue to be used to assess councils' funding needs?**

   The council does not support expenditure based regression. Previous patterns of spend do not represent need to spend and the technique leads to a self-fulfilling outcome, whereby the highest spending authorities are assumed to need the most income, which then allows them to remain the highest spending. Councils who have had lower funding have to make up the difference via council tax, which then further penalises them when the resources element of the new system is taken into account.

4. **What other measures besides councils' spending on services should we consider as a measure of their need to spend?**

   Suggest we look at how other funding formulae are derived in other sectors, e.g. health and police.

5. **What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?**

   No comment.

6. **What other considerations should we keep in mind when measuring the relative need of authorities?**

   No comment.

7. **What is your view on how we should take into account the growth in local taxes since 2013-14?**

   As far as council tax is concerned, we believe a notional national council tax should be used rather than actual council tax. The use of actual council tax levels would penalise shire areas where, due to the lower level of government funding, council taxes have increased as a result.

   In two tier areas, the split in council tax between counties and districts needs to be revisited to more accurately reflect their relative proportions.

In addition, when using council tax bases to calculate resources, the government needs to be mindful that some of the growth in the tax base is due to reductions in council tax support. This reduction may not be permanent and therefore should not be reflected in the base.

As far as business rates is concerned, a balance needs to be struck between the growth incentive and availability of resources to provide services.

8. **Should we allow step-changes in local authorities' funding following the new needs assessment?**

   A single step-change may prove too drastic if the results review in significant swings in resources.

9. **If not, what are your views on how we should transition to the new distribution of funding?**

   Would see the changes being phased in over a four or five year cycle.

10. **What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?**

    Do not support such an approach. We see little benefit when the government has done the calculations to a local level of introducing a further bureaucracy for allocating resources.

11. **How should we decide the composition of these areas if we were to introduce such a system?**

    No comment – in view of 10 above.

12. **What other considerations would we need to keep in mind if we were to introduce such a system?**

    No comment – in view of 10 above.

13. **What behaviours should the reformed local government finance system incentivise?**
14. **How can we build these incentives in to the assessment of councils' funding needs?**

    Behaviours, such as collaboration and efficiency, are ingrained in local government because of the scarcity of resources available. There is, therefore, no need to complicate the assessment to reflect incentives

Agenda Item No 11

Executive Board

19 September 2015

Report of the Deputy Chief Executive

100% Business Rates Retention Consultation

1 Summary

1.1 In July, the DCLG published the consultation paper, 'Self-sufficient local government: 100% Business Rates Retention'. The report highlights the areas covered within the consultation document on 100% Business Rates Retention.

> **Recommendation to the Council:**
>
> **a To approve in principle the draft response to the consultation set out in Appendix A; and**
>
> **b To authorise the Deputy Chief Executive to agree the final version of the response with the Leader of the Council.**

2 Introduction

2.1 The current business rate system involves the retention of 50% of business rates by local government, with the other 50% going to central government. The local share of business rates is currently spread between areas through a system of tariffs and top-ups. This redistribution provides each authority with a business rates baseline and is used to ensure that areas do not lose out just because their local business rates are low compared to their assessed relative needs.

2.2 The central share of business rates is currently redistributed back to councils in the form of Revenue Support Grant and other specific grants. The business rates baseline funding retained by an individual authority, together with its allocation of Revenue Support Grant, provides the resources to meet assessed relative need.

2.3 The government has made a commitment to move towards 100% retention of business rates by local government as part of a wider reform of local government finance. For the services currently supported by the local government finance system, the outcomes of the Fair Funding Review will establish the funding baselines for the introduction of 100% business rates retention.

2.4 The government has announced that the move to 100% business rates retention will be fiscally neutral. Additional responsibilities will be devolved to local authorities to match the additional funding from business rates, so there will be no new funding.

2.5 The consultation paper issued seeks views on a number of areas which will be considered in designing a reformed system. The full consultation document can be viewed at www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention. The main areas are highlighted below.

3 **Devolution of Responsibilities**

3.1 To ensure fiscal neutrality, the main local government grants will be phased out and additional responsibilities will be devolved to local authorities to match the additional funding from business rates.

3.2 The devolution of funding for new responsibilities is felt to help set the shape and form of local government for the future. The consultation wishes to hear which responsibilities are considered to enhance the role of councils as local leaders.

3.3 The consultation has set out a number of areas which it feels are pertinent to consideration of this area:

- Building on the strengths of local government
- Supporting the drive for economic growth
- Improved outcomes for service users or local people
- Medium term financial impact on local government

3.4 Possible areas included in the consultation paper are services funded through revenue support grant, the delivery of rural services, public health services, some adult social care services, some early years service, youth justice, council tax support and housing benefit administration and attendance allowances.

3.5 Given current changes around devolution deals, there is interest in whether different approaches should be taken in Combined Authorities, and if so, to what extent.

4 **Rewarding Growth and Sharing Risk**

4.1 The Governments stated aim is to provide stronger incentives to boost growth and reward those authorities and areas that take bold decision to further increase growth. For this reason, the decision has been taken to abolish the levy on business rate growth, which is payable in the current system. As levy income is currently used to pay for a safety net, consideration is needed on how to share risk across the system so that authorities are adequately protected from business rate volatility and they have enough income to meet their assessed relative needs.

4.2 A reset’ of the system allows relative need to be reconsidered, and individual authorities’ baseline funding to be recalculated through a system of tariffs and top-ups. A full reset of the system would remove the benefit of growth from those authorities that had managed to generate it, and redistribute it to those authorities whose business rates had declined, or whose relative need had increased. This would reduce the benefit of achieving growth, but protects those who are unable to achieve baseline funding.

4.3 A partial reset would allow a proportion of growth to be included in the reset, with individual authorities retaining part of the remainder of their growth on a longer term basis. This would give some support to authorities that had seen their income decline or needs increase, whilst maintaining some incentive for authorities to continue to grow their business rates. However it would add complexity to the system.

4.4 Views are sought on both the type of reset to be undertaken and the frequency of any such reset. They are also sought on whether the use of tariffs and safety nets should continue to be used in distributing resources

4.5 For some time, there have been general revaluations of all business properties every 5 years. This is to ensure that any increase in the economic value of the tax base at a national level does not lead to any additional business rates income. Changes to the multiplier are used to vary the amount raised. If these general revaluations continue, individual authority business rate income will be affected by how individual changes compare to changes in the national average. It is proposed to retain this system with the 100% business rate retention scheme.

4.6 In areas with directly elected mayors there may be a wish for the Mayor to have greater responsibility for the distribution of resources within the Combined Authority, to allow coherent decision making across local authority boundaries.

4.7 For non–mayoral areas, a tier split would continue to be needed. Under the current system, the local share of business rates is 50% and the central share is 50%, with the local share divided between tiers of government. In shire counties for example, 80% of the local share generally goes to the district and 20% goes to the county. This can vary slightly where there are fire and rescue authorities which are part of the system. The spilt between tiers will need to be revisited with 100% retention.

4.8 The government intends to retain Enterprise Zones and other designated areas. This allows full business rate retention in specified areas for 25 years, so would be taken into account in calculating cost neutrality.

4.9 Under the current 50% scheme, risk is managed through authorities making provision for successful appeals within their accounts and the provision of a safety net. Within the consultation, questions are asked about how risk is managed under the 100% scheme. Possibilities include the removal of high risk hereditaments to the central list, the management of high risk properties at an area level or pooling of appeal risk at a wider level. The retention of a national level safety net is also raised.

5 **Local Tax Flexibilities**

5.1 The new powers that the Government is providing are the ability to reduce the business rates tax rate (the multiplier) and an ability for Combined Authority Mayors to levy a supplement on business rates to fund new infrastructure projects. These are in addition to the existing ability to use local discounts.

5.2 In single tier areas, it is clear who would take any decision to reduce the multiplier and pick up any associated costs. In two tier or combined authority areas there are a number of options around who can take the decision and how costs are apportioned. Views on these are sought, as well as how the multiplier could/should be increased after a period of reduction.

5.3 The consultation paper also discusses Mayoral abilities to impose infrastructure levies on businesses.

6 **Accountability and Accounting**

6.1 The consultation asks for views on the current accounting arrangements for business rates and whether these need to change with the move to 100% retention. One of the reasons for considering any changes needed is the devolvement of responsibilities from central to local government, to ensure that accountability is maintained.

7 **Response to the Consultation**

7.1 Responses to the consultation document are required by 26 September and a draft response is attached at Appendix A for consideration. However, ongoing regional and national discussions are identifying further implications which may affect the response. It is suggested therefore that the Board authorises the Leader of the Council to agree the final response before it is submitted.

8 **Report Implications**

8.1 **Finance and Value for Money Implications**

8.1.1 The move to 100% business rates retention is intended to be fiscally neutral to local government as a whole. The impact on North Warwickshire cannot be quantified until our relative position is known.

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

DRAFT

Appendix A

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: Sue Garner
Direct Dial : (01827) 719374
Your ref : |
Our ref : SJG

Business Rates Retention Consultation
Local Government finance
Department for Communities and Local Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Date : 20 September 2016

Dear Sir

Consultation – Self Sufficient Local Government: 100% Business Rates Retention

This letter provides a response from North Warwickshire Borough Council, to the consultation document published on July 2016.

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

Question 2: – Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

Revenue Support Grant is already decided with reference to needs, so this would be appropriate. Rural Service Grant and Local Council Tax Support and Housing Benefit Administration Subsidy are relevant to a needs assessment and are unlikely to move significantly over time so would also seem appropriate. However both the Better Care Fund and Attendance Allowance could both grow at a rate significantly faster than the growth in business rates and would not be suitable.

Consideration would need to be given to any specific grants where there could be a dilution of funding as part of the main needs assessment. This has already happened with the localisation of support for council tax for example, with funding reduced as part of the reduction in general local government funding. The need for transparency regarding the amounts rolled in and future years' assumptions regarding these amounts will be critical.

Local government faces significant financial pressures up to 2020 and beyond from the services is already provides. These pressures need to be adequately funded and the additional 50% of business rate funding should be used to address these pressure before consideration is given to adding new services. Examples for this Council include: general inflation, increases in National Insurance due to the end of contracting out, the move to the national living wage and the apprenticeship levy.

Question 3: do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates

They would need to be associated budgets outside of needs assessment and would depend on the arrangements within individual Combined Authority's.

Question 5: Do you agree that we should continue with the new burdens doctrine post 2000?

Yes. If it is a new burden to local government, transferred from central government then the funding should follow the responsibility. Otherwise it is not fiscally neutral. Where central government wish to change to nature of responsibilities they are transferring, this should not be the problem of local government. Services should be transferred with sufficient funding.

If it were a completely new burden to any layer of government, then central government will be better able to assess impacts over the country as a whole.

Question 6: Do you agree that we should fix reset periods for the system?

Yes, it gives greater certainty for LA's with regard to both generating growth and managing losses in funding. Where there is growth, its use can be managed to greater advantage. Reset periods need to be long enough to give the benefit of growth, but not so long that they cause detriment to those whose business rates reduce significantly or their needs increase disproportionately.

It is also important that the process for a reset is set out in advance, so that it is not open to manipulation in future years.

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

Some growth incentive should remain, but there should also be consideration of need. This could be achieved through a partial reset. The Council would not want to see core services to the public affected, especially as many of them are statutory.

Consideration needs to be given to whether growth above the national Settlement Funding Amount needs to be included in any reassessment of Relative Need.

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

Areas which lose resources whilst retaining need require some redress. Work to assess the proportions needed to ensure that there is an ongoing incentive for areas to promote growth, whilst providing protection to those with declining resources, may assist with finding a balance for a partial reset.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Yes, the current system of tariffs and top ups allows for the required redistribution of business rates income across the country.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Yes, in order to ensure baseline funding levels are maintained and individual local authorities are not disadvantaged due to national revaluations.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

No. The Mayor should not have decision making powers over how growth delivered in individual areas should be redistributed across the Combined Authority, or to decide how resources are redistributed across each authority based on need.

Question 12: What has your experience been of the tier splits under the current 50% rates retentions scheme? What changes would you want to see under 100% rates retention system?

The current splits reduce the financial incentive for county councils to stimulate growth. It is a relatively small contributor to their resources, so is more of an accounting exercise. Giving county councils a greater stake in business activity in their area is needed with 100% rates retention. This also ensures that the risks are not borne disproportionately by the smaller District Councils.

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

It seems to create a lot of administration for the funding involved, so might be more efficiently managed through a different mechanism.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

No, there are already sufficient opportunities within the system. Additional incentives would only add further complexity.

Question 15: Would it be helpful to move some of the riskier hereditaments off local lists? If so, what type of hereditaments should be moved?

Large hereditaments, such as power stations, which are outside the scope of local control can have a disproportionate effect, so there may a case for moving them.

Question 16: Would you support the idea of introducing area level list in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

This option would add another level of decision making and complexity.

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area level (including Combined Authority), or across all local authorities as set out in the options above?

Wider geographical area for managing provisions sounds helpful, but would still need individual contributions from local authority's. It is unlikely that small local authority's would be keen to pick up additional appeal risks from others. There may also be issues about the redistribution of provision, if they are subsequently not needed. Alternatively if the wider provision were insufficient, there may be issues with deciding on how to arrive at the additional funding required.

If appeals were to be dealt with at a higher level, a national system is perhaps the most appropriate. This would not lead to regional variations leading to shifts in resources. It would also increase the transparency between the allowance made by central government and the actual level of appeals.

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

Central Government should compensate local authorities for successful appeals due to errors in the valuation list created by the Valuation Office. This could be funded through a top slice of business rates income equal to the headroom for appeals built into the multiplier. There is also a case for any outstanding appeals when the system starts to be held at national level and managed nationally.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

No, as the current pool approach balances risk and reward by being able to retain levy payments that would otherwise be lost. Under 100% retention, there is increased risk with no possibility of additional resources.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

Protection, in the form of a safety net, should be set at a national level and applied at an individual authority level.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

If the tier reducing the multiplier bears all the costs, and this then generates growth the other authority will benefit at no cost. However if costs are shared automatically, then one authority has the ability to increase the costs of another without their agreement. Whilst in theory a reduction in rate would be implemented to achieve increased business rates for all affected parties in the future, there would be governance issues. It would be fairer to require both parties to agree to any reduction, and share the costs, as both would then benefit from any increased growth.

Question 22: What are your views on how decisions are taken to reduce the multiplier and the local discount powers?

Both options are needed. Local authorities need to retain the ability to target specific groups within their area, as it may not be appropriate or necessary to apply a general reduction.

Question 23: What are your views on increasing the multiplier after a reduction?

It should be left to local discretion whether to increase the multiplier in in one go or phase increases over a period of time. Local authorities would consider the impact on businesses in their area when deciding whether to increase in one go or in a phased way. If there was an expected increase on smaller businesses this could be mitigated through the use of local discounts.

Question 24: do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Given the increasing work with neighbouring authorities, the impact on them of reducing the multiplier would be taken into account as part of the decision making process. In many areas LEP boundaries cover different areas and this would again increase awareness of impacts on neighbours.

However, given the difficulties that would arise in re-instating the multiplier after a reduction, it is unlikely that this power would be used by most authorities.

Question 25: what are your views on the flexibility levying authorities should have to set a rateable value threshold for the levy?

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

Question 28: What are your views on arrangements for the duration and review of levies?

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

Question 31: Do you have any views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

No comment.

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

Top ups / tariffs for multi year budgets with no changes other than for revaluations would assist, as would an annual process for informing councils of New Burdens funding.

Question 33: Do you have any views on where the balance between local and national accountability should fall, and how best to minimise any overlaps in accountability?

This will always be a difficult area. For example, if an area collects more income from NDR than its baseline need, its local ratepayers will expect it to be spent within the area and will hold the local authority accountable, whereas some of that income will have been given to other authorities.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

It should remain, so that council tax payers and businesses can see where their money goes. Otherwise it will be seen as the collecting authority's income. In addition it is vital to local authorities in damping the impact of income fluctuations in year. The Collection Fund allows authorities to plan for changes to resource levels and gives some certainty in year for preceptors.

Question 35: Do you have any views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

This Authority is unlikely to change its current method of budget preparation.

Question 36: do you have any views on how the business rates data collection activities could be altered to collect and record information in a more timely, efficient and transparent manner?

There would still be a need for an NDR 1 and NDR 3 at approximately the same times. Efficiency may be assisted by the provision of less detail, but there would still need to forecast the net NDR position.

Yours faithfully,

Deputy Chief Executive

Agenda Item No 12

Executive Board

19 September 2016

Report of the Assistant Director (Leisure and Community Development)

Review of Leisure, Health and Well-being Provision in North Warwickshire – Use of Urgent Business Powers

1 **Summary**

1.1 This report seeks the Board's endorsement of action taken under the Chief Executive's Urgent Business Powers to engage consultants to undertake the previously approved Review of Leisure, Health and Well-being Provision in North Warwickshire and to note the increase in the revenue budget through which to carry out this work.

Recommendation to the Board

a That the action taken under the Chief Executive's Urgent Business Powers to engage consultants to undertake the approved Review of Leisure, Health and Well-being Provision in North Warwickshire be noted; and

b That the Board notes the £15,250 increase in the revenue budget, consequent upon the engagement of the Leisure, Health and Well-being Review consultants.

2 **Consultation**

2.1 The Chairman, Vice-chairman and Opposition Spokesperson for the Executive, Resources and Community and Environment Boards, together with Members with responsibility for Health, Well-being and Leisure, have all had an opportunity to comment on the content of this report. Any comments received will be reported verbally to the Board.

3 **Report**

3.1 Members will be aware that, at its meeting held in January 2016, the Community and Environment Board resolved to commission an overarching external review of Leisure, Health and Well-being provision in North Warwickshire. Through the commission, the consultants selected to undertake the work will be required to produce the following:

- An overarching Leisure, Health and Well-being Strategy
- A Leisure Facilities Strategy

- A new Green Space Strategy
- A new Playing Pitch Strategy
- A "light touch" review of the new approach to Community Development work
- A review of the operational efficiency of the Borough Council's leisure facilities

3.2 The consequent selection of the required external consultants has been subject to a full procurement / tendering exercise undertaken in accordance with the Council's Contract Standing Orders.

3.3 The Authority received three tender submissions from appropriate companies, which were initially assessed through a robust (stage one) scoring process. Following the completion of stage one, all three consultants were invited to a stage two presentation with an internal procurement panel, which included the Chairman of both the Resources and Community and Environment Boards.

3.4 Budgetary provision of £55,000 has been made available for the commission. This sum, however, would not be sufficient to engage any of the consultants to undertake the commission brief. Indeed, subsequent to the stage two presentation process, the preferred consultant's tender submission was priced at £70,250. Having regard to the Council's Contract Standing Orders, the cost and quality scoring matrices, the outcome of the required financial checks and the views of the internal procurement panel, Strategic Leisure Limited's tender for the Review of Leisure, Health and Well-being Provision in North Warwickshire was approved. Its tender submission is considered to represent "best value for money" for the Authority.

3.5 Understandably, Members have expressed a desire to advance this undertaking with a degree of urgency, not least because it is anticipated that the process will take at least 12 months to complete. In this regard, and in consultation with the Leader of the Council, the engagement of the preferred consultant was approved by the Chief Executive under his Urgent Business Powers. The Board is asked to note this course of action and the consequent increase of £15,250 in the revenue budget.

4 Report Implications

4.1 Finance and Value for Money Implications

4.1.1 The cost of the Review of Leisure, Health and Well-being is £70,250, which required an increase in the revenue budget of £15,250.

4.2 Safer Communities Implications

4.2.1 Robust Leisure, Health and Well-being Strategies contribute to community safety by establishing a framework for the provision of well-managed recreation areas and facilities that are safe by design and afford opportunities for positive activity.

4.3 **Legal and Human Rights Implications**

4.3.1 The process through which the Review of Leisure, Health and Well-being has been procured complies with all relevant legislative requirements.

4.4 **Environment and Sustainability Implications**

4.4.1 Delivery of priorities identified in a robust Leisure, Health and Well-being Strategy of the type proposed through this commission contribute directly to environmental improvements, enhancement of biodiversity and mitigation of the effects of climate change. They also help to build sustainable and vibrant communities.

4.5 **Health, Well-being and Leisure Implications**

4.5.1 Robust Leisure, Health and Well-being Strategies are essential for the provision, protection and appropriate management of leisure-related facilities and services, which have a positive impact on the health and well-being of individuals and communities by providing opportunities for indoor and outdoor leisure and recreation activities and by contributing to an improved quality of life.

4.6 **Human Resources Implications**

4.6.1 There are no human resource implications arising directly out of this report.

4.7 **Risk Management Implications**

4.7.1 The corporate risk management process identifies and scores risks associated with the provision and maintenance of leisure facilities and green space. Services are obliged to manage operational risks, keeping them as low as reasonably possible. Adoption and implementation of robust Leisure, Health and Well-being Strategies are control measures that help to maintain low risk scores.

4.8 **Equalities Implications**

4.8.1 There are no differential equality-related impacts on particular groups or individuals within the community arising from this report.

4.9 **Links to Council's Priorities**

4.9.1 Leisure, Health and Well-being Strategies have direct and positive links to the corporate priorities in respect of:

- Responsible financial and resource management
- Creating safer communities
- Protecting our countryside and heritage
- Improving leisure and well-being opportunities
- Promoting sustainable and vibrant communities
- Supporting employment and business

4.9.2 Leisure, Health and Well-being Strategies also contribute directly to the priorities of the Sustainable Community Strategy, namely:

- Raising aspirations, educational attainment and skill levels
- Developing healthier communities
- Improving access to services

The Contact Officer for this report is Simon Powell (719352).

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**
1	Assistant Director (Leisure and Community Development)	Community and Environment Board Report (Green and Playing Pitch Strategies)s	January 2016

Agenda Item No 13

Executive Board

19 September 2016

Report of the Chief Executive and the Deputy Chief Executive

Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April - June 2016

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 to June 2016.

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 first quarter position with the achievement of the Corporate Plan and Performance Indicator targets for 2016/17. This is the first report showing the progress achieved so far during 2016/17.

4 Progress achieved during 2015/16

. . . 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 to June 2015/16 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)
Amber – target currently behind schedule and requires remedial action to be achieved (shown as an amber circle)
Green – target currently on schedule to be achieved (shown as a green star)

5 **Performance Indicators**

5.1 The current performance indicators have been reviewed by each division and Management Team for monitoring for the 2016/17 year.

6 **Overall Performance**

6.1 The Corporate Plan performance report shows that 100% of the Corporate Plan targets and 17% of the performance indicator targets are currently on schedule to be achieved. The information for one indicator for killed and serious injuries is currently not available. The report shows that individual targets that have been classified as red, amber 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	11	100%
Amber	0	0%
Red	0	0%
Total	11	100%

Performance Indicators

Status	Number	Percentage
Green	1	17%
Amber	4	66%
Red	1	17%
Total	6	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 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

NWCP Executive Board 16/17						
	Action	Priority	Reporting Officer	Update	Status	Direction
NWCP 004	To submit final Development Plan documents relating to Development Management Community Infrastructure Levy and Gypsy and Travellers by November 2016	Protecting our Countryside & Heritage	Dorothy Barratt	This action has been superceded by the production of the draft Local Plan. As a result of the increase in development CIL viability work will need to be updated and then an updated CIL Charging Schedule prepared.	Green	
NWCP 005	Whilst continuing to oppose a) HS2 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	Protecting our Countryside & Heritage	Dorothy Barratt	a) The Borough Council has now agreed to become a Qualifiying local authority. The first applications are expected in the New Year following royal accent. B) no change	Green	
NWCP 008	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	Work on an internal audit review is taking place currently. Updates to the call out cascade are being collated. An emergency centre battle box has been moved to Coleshill Leisure Centre. This is to help improve our local resilience. Project Argus presentation and exercise has been held to inform our awareness and plans for terrorist attacks.	Green	
NWCP 009	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 2016	Responsible Financial & Resource Management	Sue Garner	Work on finding the savings for 2017/18 has begun.	Green	
NWCP 010	To continue to implement more efficient ways of working, including exploring opportunities for shared working that may arise, with a view to achieving savings and/or increasing capacity	Responsible Financial & Resource Management	Chris Brewer	Continue to consider opportunities for shared working wherever possible.	Green	
NWCP 042	To report on the Council's debt and reserves and options for narrowing the Council's capital funding gap by February 2017	Responsible Financial & Resource Management	Sue Garner	Work will commence later in the year	Green	
NWCP 076	To update the Medium Term Financial Strategy in September 2016 and February 2017, to take account of external funding changes relating to Business Rates	Responsible Financial & Resource Management	Sue Garner	The MTFS will be updated in August	Green	
NWCP 078	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 Council has now resolved to be a non constituent Member of the West Midlands Combined Authority. Negotiations for devolution deal 2 will start shortly and officers and Members are attending meetings to try to influence the work of the CA. The Coventry and Warwickshire Joint Committee continues, mainly concentrating on forward planning work around the duty to cooperate.	Green	

NWCP Executive Board 16/17						
	Action	Priority	Reporting Officer	Update	Status	Direction
NWCP 080	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 report annually in September	Creating Safer Communities	Richard Dobbs/Steve Maxey	Liason with the local flood groups in Austrey, Fillongley and Nether Whitacre is on going. A revised agreement for the use of a pump installed by the EA has been prepared. A strategic flood group at a county level is helping to co-ordinate the partnership work across Warwickshire.	Green	
NWCP 092	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, in line with the commitments in the Council's Customer Access Strategy and report on progress by February 2017	Promoting Sustainable & Vibrant Communities	Linda Bird/Steve Maxey/Bob Trahern	Communicated extensively with regard to recent consultations on Borough Care, Arley Leisure Centre and North Talk/Area Forums. Where appropriate customers have been contacted individually with information and to get their comments.	Green	
NWCP 110	To develop an action plan based on the Economic Review and Impact Assessment and report on progress by March 2017	Supporting Employment & Business	Steve Maxey	A baseline assessment is being finalised following which an action plan will be drawn up. Work on the economic development of the area continues	Green	

NWPI Executive Board 16/17									
Ref	Description	Section	Priority	Year End Target 2016/17	Outturn 2015/16	April - Jun Performance	Traffic Light	Direction of Travel	Comments
	Council Performance Indicators								
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	96	99	Green		
NWLPI 162	Percentage of Freedom of Information replies dealt with within 20 days	Policy Support	Public Services & Council Tax	100	95%	98%	Red		176 Freedom of Information requests received, 172 completed within 20 days, 3 completed over 20 days and 1 overdue and outstanding
	State of the Borough Indicators								
NWLPI 153	Number of domestic burglaries in the Local Authority area	Policy Support	Crime and Disorder	244	245	61	Amber		During 2015/16 the level of domestic burglary increased significantly compared to 2014/15 of 152. The first three months are at a similar level. The increase will continue to be monitored. Analysis prepared for the NW Special Interest Group shows the wards of Atherstone central and Fillongley to be priority locations. Further crime prevention measures will be prepared using the rural crime project to target locations in the Fillongley ward.
NWLPI 154	Number of violent offences and sexual offences in the local authority area	Policy Support	Crime and Disorder	955	956	323	Amber		Increases in the recording of violence offences and sexual offences are still being seen. Clarification regarding the level of historic offences recorded is being sought. Analysis of common assault offences during March to May 2016 shows 36% were in public places, peak times were at 12pm and 5pm. Victims profile shows British male or female aged between 11 and 30 years of age.
NWLPI 155	The number of vehicle crimes in the local authority area	Policy Support	Crime and Disorder	432	433	75	Amber		The levels of theft from vehicles are monitored through the Special Interest Group. Analysis of vehicle crimes during March to April 2016 shows 71 offences. Wards in Atherstone and Mancetter accounted for 38% of the vehicle crimes. A high number of stolen items were noted as being left in plain sight.

Appendix B

NWPI Executive Board 16/17									
Ref	Description	Section	Priority	Year End Target 2016/17	Outturn 2015/16	April - Jun Performance	Traffic Light	Direction of Travel	Comments
@NW:NI032	Violence Against the person with injury Offences related to Domestic Violence	Policy Support	Crime and Disorder	139	140	36	Amber		The levels relating to domestic abuse are similar to the 2015/16 levels. The quarter 1 level of 36 are 29% of the violence against the person with injury offences. Support services are provided at a county and local level. The locally based services are provided by the Warwickshire Domestic Abuse Counselling Services. The quarter 4 report shows that 89 victims have been provided the services over the year. Approximately 20 clients are being seen on a regular weekly basis. Some clients are receiving in excess of 20 sessions.
@NW:NI047	People killed or seriously injured in road traffic accidents	Policy Support	Crime and Disorder	51	52	To be confirmed	n/a	n/a	Information not currently available

Agenda Item No 14

Executive Board

19 September 2016

Report of the Chief Executive **Board Membership**

1 **Summary**

1.1 The purpose of this report is to seek authorisation for any possible amendments to representation on Boards resulting from the Arley and Whitacre Ward By-Election to be held on Thursday 22 September 2016.

Recommendation to the Council

That any amendments to representation on Boards following the Arley and Whitacre Ward By-Election be tabled at the Full Council meeting to be held on Wednesday 29 September 2016

2 **Report**

2.1 As Members will be aware a by-election is to be held in the Arley and Whitacre Ward on Thursday 22 September 2016.

2.2 If any amendments are to be made to representation on Boards following the by-election these will be tabled at the Full Council meeting to be held on Wednesday 29 September 2016.

3 **Report Implications**

3.1 **Financial Implications**

3.1.1 Allowances to all Members are paid in accordance with the approved Members' Allowance Scheme.

The Contact Officer for this report is David Harris (719222).

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
None			

Agenda Item No 15

Executive Board

19 September 2016

Report of the Deputy Chief Executive

Efficiency Plan

1 **Summary**

1.1 The government have given local authorities the opportunity to apply for a four year financial settlement deal. Applications are required by 14 October 2016.

Recommendation to Council
To approve the application for a four year settlement deal, and the Efficiency Plan attached at Appendix A.

2 **Introduction**

2.1 In order to give local authorities more certainty over their finances before the move to 100% business rates by 2020, the government offered a 4 year settlement to any council that wished to plan ahead with confidence. The intention was to allow councils to make even greater efficiency savings. In order to apply for a 4 year settlement, Councils need to submit an Efficiency Plan to the government by 14 October.

3 **Application**

3.1 Authorities that do not apply for the 4 year deal have greater potential to have their funding changed. Any without an agreement would have an increased risk of change, as changes in national funding would be borne by fewer authorities. Although there is a caveat that all agreed funding could be changed in exceptional circumstances, applying for a 4 year deal would seem to offer some additional certainty.

3.2 The government have not issued any specific requirements on what an Efficiency Plan should include, so the draft plan attached at Appendix A has been produced following some guidance from the LGA and CIPFA.

4 **Report Implications**

4.1 **Finance and Value for Money Implications**

4.1.1 A 4 year funding deal would confirm the indicative figures used in the Medium Term Financial Strategy considered earlier in the agenda.

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

DRAFT

NORTH WARWICKSHIRE BOROUGH COUNCIL – EFFICIENCY PLAN

Introduction

Following a full election in May 2015, the new Council identified six priorities in September 2015 that it wished to support during the next four years. These, together with actions to progress them agreed in advance of the current financial year, guide the work and approach of the Council. Detailed actions for future years are agreed annually to allow changes in the local government environment to be included as appropriate. However a number of actions are part of ongoing schemes which straddle a number of years. The current Corporate Plan is attached as Appendix A.

The Council has adopted a clear financial strategy over a number of years, in order to manage its reducing resources. The latest version of this is attached at Appendix B. A fundamental issue within the strategy is the need to find savings, and these are found in advance of the year they are required, to minimise the uncertainty over their achievement. The Council's aim has consistently been to find efficiencies in service provision, and generate additional income, before considering reductions in front line services. To date this has generally been possible, but cannot continue to the same degree in the future.

Approach to Budget Savings / Efficiencies

A range of possible options for the total savings required over the medium term financial strategy has been produced. This includes the generation of additional income, streamlining services and changing service provision, as well as some more unpalatable options around reductions in front line services. Some of these options could be achieved reasonably quickly, although increasingly more of the options will require detailed work and a longer lead in time, if they are acceptable politically. Each of the options is assigned to the relevant senior officer for action if the decision is taken to proceed.

Generation of Additional Income

As part of a review of income generation, the Council has started to review charging in some areas, which have previously been free of charge. A current example is the provision of a Community Support scheme, where the Council has provided a free 7 day, 24 hour emergency alarm service to those residents aged 62 or more within the Borough, who request it. Following a review, the decision has been taken to introduce charges during 2016/17. The longer term aim is to make this service self funding, whilst increasing the choice of service available for both existing and new customers. This will be achieved over a period of time, reflecting the opportunity to refine current service provision, the constraints within the existing service, and the positive service feedback received from existing customers.

The Council has attempted to maximise income in existing services, such as those provided at its leisure centres, through changes to packages and discounts available to users. This continues to be reviewed and promoted, with changes currently being implemented with regard to swimming packages.

Service Rationalisation

The Council's approach for a number of years has been not to make staff redundant, unless they were no longer needed or there was no other option. To facilitate this approach, all vacancies that arise are considered by the Senior Management Team before they are refilled. Opportunities for streamlining services are taken where possible, including joint working with some neighbouring authorities. This has the added benefit of avoiding the need for costly redundancy payments.

North Warwickshire has the challenge of being a rural borough, larger in area than its immediate neighbours, with a smaller population. This particularly increases the costs of some service provision, which reduces the ability to build in resilience.

Some services are particularly affected by the Borough's rural nature, for example, the refuse and recycling service. A major overhaul of the operation of the system was carried out when market testing showed the most cost effective method of operation to be in house delivery. The implementation of tracking devises in all of the vehicles is being used to see if further rationalisation of rounds is possible to improve efficiency.

Given the rural nature of the Borough the Council has used a mixture of traditional leisure centre provision and mobile community development activities for many years. Although community development activities have been tweaked over the years, a full review has not been carried out. Members have taken the decision to commission a strategic review of leisure provision, looking at both current and future needs. There is concern that future provision should address areas of population development as well as established centres.

Partnership Working

Joint working with other partners is not assessed solely on the achievement of funding reductions, but is also used as a means of improving resilience. Direct joint provision has been used for the Building Control service, and has been considered for other service areas but is often an expensive option that the Council can not afford. As a result individual areas are reviewed on a case by case basis, and alternative partnership working arrangements are utilised where these are more effective or affordable.

Recent collaborations have included the use of shared management arrangements in the Revenues and Benefits service, and a joint arrangement with three other authorities on the provision of the Disabled Facility Grant service. The Council's approach is to use the most appropriate and efficient arrangement for the service in question, rather than try to use one methodology for all services.

More recently the Council has signed up to be a non constituent member of the West Midlands Combined Authority. It is still early days, so the potential benefits will only become clear in time. However the Council is keen to be in a position to maximise any benefits coming out of the Combined Authority for the North Warwickshire area, its residents and businesses.

Growing the Local Economy

The Council participates in and contributes financially to the Coventry and Warwickshire Local Enterprise Partnership (CWLEP), with the Assistant Chief Executive acting as the sole District representative on the Joint Executive Group. CWLEP grant support in 2015 totalled £221,000, which was awarded to 9 businesses, creating 27 jobs and levering in £1.1 million of investment. Support in 2014 totalled £421,000, awarded to 3 businesses, creating 59 jobs and levering in £2.4 million of investment.

Its location gives North Warwickshire a strategic position on the transport network and the Council has worked to promote the development of logistic sites within the Borough. The Birch Coppice Business Park is a notable success, housing significant businesses such as Ocado and continues to grow. However this success does bring its own challenges, as it increases the risks the Council faces around business rates. Fluctuations around businesses moving could give greater losses, if one or more of the big firms choose to relocate. This together with the potential impact of HS2 going right through the Borough has prompted the Council to put contingency funding away in earmarked reserves.

Financial Resources

As part of its financial management, a risk assessment is carried out annually to inform the level of general balances that need to be held. This level is always taken as the level of balances needed at the end of the latest medium term financial strategy, ensuring that financial and service decisions are taken in a structured and proportionate way. As the detailed reductions are introduced, in year monitoring allows their achievement to be monitored by both the Senior Management Team and Service Boards. In February 2016, General Fund balances of around £1.6 million were required at the end of 2019/20, which needed savings of £1.73 million from the base budget by the end of 2019/20.

Some potential areas for budget reductions have been identified for inclusion in the 2017/18 budget, with action already taken in relation to some. The generation of new income from the Borough Care service has already been mentioned. An assessment of the use of public conveniences in the Borough highlighted the disproportionate cost of the current facilities. Notice to terminate the lease on the automated toilets has been given, and the Council is exploring community schemes to take their place. Public consultation has been held on the future of one of the Borough's leisure centres, and short term measures are planned for October 2016, whilst the fuller review of Leisure provision in the Borough is undertaken.

The Council is now at the stage of having to consider some reductions in service, and has started to review services taking levels of demand and value for money into account. Specific schemes are only brought into the public arena when appropriate in order to manage public engagement. Possible options are not made public in advance to allow feasibility to be assessed and to ensure that capacity to engage properly in consultation is available.

Additionally, the Council uses earmarked reserves for both revenue and capital purposes. External funding received for specific projects will be held in earmarked reserves until the activity takes place. As the Council is not a large land owner and cannot rely on capital receipts to fund its capital programme, we build up reserves wherever possible to enable capital spending to take place. Earmarked reserves are also used to deal with timing differences, so that we can remove unnecessary fluctuations in the council's base budget.

At 31 March 2016 £13 million was held in earmarked reserves, with £5 million held for revenue purposes and £8 million held for capital purposes. Of the £5 million reserves for revenue purposes, £1.8 million is held to cover contingencies, including business rate volatility.

Objectives for the End of the 4 Year Settlement Period

The Council's objectives are to continue to provide valued services that meet public expectations and government requirements, within the reduced resources that are available. Resources are revisited at least twice per year, so that any adjustments needed can be made in a timely manner.

The multi year offer will allow greater certainty over the funding available, allowing the Council to put more emphasis and effort into finding savings. It intends to do this by streamlining service provision even further and targeting resources to areas of greatest priority. Achievement of the

Corporate Plan and Medium Term Financial Strategy will indicate how successfully these objectives have been met.

Chief Executive ……………………………………………………………………….

Leader of the Council ………………………………………………………………………..

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE LOCAL DEVELOPMENT FRAMEWORK SUB-COMMITTEE **3 August 2016**

Present: Councillor Waters in the Chair.

Councillors Bell, Lea, Smith, Phillips and Sweet.

An apology for absence was received from Councillor L Dirveiks (Substitute Councillor Phillips).

Councillors Davey, Farrell, Humphreys, Morson, Payne, Reilly, Simpson and A Wright were also in attendance.

1 **Minutes of the meeting of the Sub-Committee held on 25 April 2016**

The minutes of the meeting held on 25 April 2016, copies having been previously circulated, were approved as a correct record and signed by the Chairman.

2 **Disclosable Pecuniary and Non-Pecuniary Interests**

None were declared at the meeting.

3 **North Warwickshire Local Plan**

Members were presented with the draft North Warwickshire Local Plan for consideration with a view to taking forward the proposals to a consultation in late September/October 2016.

Resolved:

a **That a sustainable appraisal be carried out on the Draft Local Plan and any minor changes be incorporated into the document; and**

b **That subject to the following;**
(i) the removal of the sites at Packington Lane, Coleshill;
(ii) the removal of part of the redevelopment site at the current Water Orton School; and,
(iii) the inclusion of the allotments site adjacent to the Memorial Park, Coleshill,
the Draft Local Plan as set out in Appendix A to the report of the Assistant Chief Executive and Solicitor to the Council, be approved for consultation; and

c **That a report on the Infrastructure Delivery Plan and the consultation process be brought to the next meeting of the Sub-Committee.**

T Waters
Chairman

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE SAFER COMMUNITIES SUB-COMMITTEE **19 July 2016**

Present: Councillor Reilly in the Chair

Councillors Clews, Davis, Ferro, Ingram, Jenns, Moss, Simpson, E Stanley, M Stanley and Waters

Apologies for absence were received from Councillors Jones (substitute Simpson), Morson (substitute Moss), Payne (substitute Jenns), Watkins (substitute Ingram) and A Wright (substitute Councillor Waters).

1 **Disclosable Pecuniary and Non-Pecuniary Interests**

None were declared at the meeting.

2 **Minutes of the Meeting of the Sub-Committee held on 16 March 2016**

The minutes of the meeting of the Sub-Committee held on 16 March 2016, copies having been previously circulated, were approved as a correct record and signed by the Chairman.

3 **Draft Plan to Tackle Fly Tipping**

The Chief Executive presented a draft action plan for tackling fly tipping across the Borough and sought approval for a formal consultation on considering a Public Spaces Protection Order in Fillongley.

Resolved:

a That, subject to the inclusion of actions relating to working with local community volunteers to carry out litter picks and clean ups, raising the potential for longer opening times for the waste disposal sites and the top 5 hot spot location across the Borough being identified, the draft action plan for tackling fly tipping across the Borough, attached as an Appendix to the report of the Chief Executive, be agreed; and

b That alternative closure arrangements be investigated further with WCC for Bun Lane and Didgeley Lane, Fillongley and formal consultation on the potential implementation of a Public Spaces Protection Order for Fillongley be agreed.

4 **North Warwickshire Road Safety Action Plan**

The Chief Executive provided an update on progress with the North Warwickshire Road Safety Action Plan.

Resolved:

That, subject to the inclusion of an action relating to the development of a more proactive approach to considering road safety implications with the planning application process, the progress to date be noted.

5 **Progress Report on Achievement of Corporate Plan Targets – April – March 2016**

Members were informed of progress with the achievement of the Corporate Plan targets relevant to the Safer Communities Sub-Committee for April – March 2016.

Resolved:

That the report be noted.

6 **North Warwickshire Community Safety Partnership Update**

The Chief Executive provided an update on recent activities with the North Warwickshire Community Safety Partnership.

Resolved:

That the progress to date be noted.

David Reilly
Chairman

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE SPECIAL SUB-GROUP 26 July 2016

Present: Councillor Hayfield in the Chair

Councillors Farrell, Jenns, Singh, Smith and Sweet

An apology for absence was received from Councillor Humphreys (Substitute Councillor Smith).

Councillor Phillips was also in attendance.

10 **Disclosable Pecuniary and Non-Pecuniary Interests**

None

11 **Progress Report on Human Resources Issues**

The Assistant Director (Finance and Human Resources) advised Members of progress against the Human Resources Strategy Action Plan, the work being done by the Human Resources team, sickness levels for the period April 2015 to March 2016 and provided some further information on action taken in managing absence.

Resolved:

That the report be noted.

12 **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 item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12A to the Act.

13 **Arley Sports Centre – Staffing Implications**

The Assistant Director (Leisure and Community Development) highlighted the staffing implications of the recent decision of the meetings of the Community and Environment Board and the Full Council held on 29 June 2016 in respect of Arley Sports Centre.

Resolved:

That the staffing implications of Full Council's decisions to keep Arley Sports Centre open whilst the previously approved review of leisure, health and well-being provision in North Warwickshire be undertaken and to amend off-peak opening hours in order to ensure that the level of revenue saving identified in Option 3 of the report to the Community and Environment Board in January 2016 be achieved be noted.

C Hayfield
Chairman

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE SPECIAL SUB-GROUP 23 August 2016

Present: Councillor Humphreys in the Chair

Councillors Jenns, Phillips, Singh, Sweet and D Wright

Apologies for absence were received from Councillors Farrell (substitute Councillor Phillips) and Hayfield (substitute Councillor D Wright).

14 **Disclosable Pecuniary and Non-Pecuniary Interests**

None

15 **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 item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12A to the Act.

16 **Arley Sports Centre – Staffing Implications**

The Assistant Director (Leisure and Community Development) reported on the proposed amendment to off-peak opening hours at Arley Sports Centre and the Special Sub-Group was asked to consider the consequent staffing implications.

Resolved:

a That the proposed amendment to off-peak opening hours at Arley Sports Centre, and the associated staffing implications as set out in the report of the Assistant Director (Leisure and Community Development), be agreed; and

b That the changes be implemented with effect from 31 October 2016.

Chairman